

THE TOWN OF LEESBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002

Prepared by the
Department of Finance
Paul E. York, Director of Finance
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TOWN OF LEESBURG

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November4, 2002

The Honorable Mayor and Members of Council,
and Citizens of the Town of Leesburg, Virginia

It is our pleasure to present to you the comprehensive annual financial report (CAFR) for the Town of Leesburg for the fiscal year ended June 30, 2002. This report has been prepared in accordance with Section 4-2.1:1(i) of the town Charter and Section 2-86 of the town Code. These statutes and ordinances require the town to provide an independently audited annual report to the Council on the financial and administrative affairs of the town. Responsibility for the accuracy, completeness and fairness of the presentation, including all disclosures, rests with the town's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds and account groups of the town.

One of the primary goals of producing a CAFR is to provide understandable and useful financial information on the operations of the town. This is achieved through the preparation of detailed financial statements, which are contained in this report. The CAFR is presented in four sections: introductory, financial, statistical and compliance. The introductory section, which is unaudited, includes this letter of transmittal, Certificate of Achievement for Excellence in Financial Reporting, the town's organizational chart and a listing of principal officials. The financial section includes the general purpose financial statements, combining and individual fund and account group financial statements and supplemental schedules as well as the independent auditors' report on the financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information presented, in most cases, on a multi-year basis. The compliance section contains the Auditor's report on internal controls and compliance related to an audit performed in accordance with *Government Auditing Standards*. It has also been prepared in conformity with the provisions of the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget's Circular A-133 *Audits of States, Local Governments and Non-profit Organizations*.

THE TOWN AND ITS GOVERNMENT

Leesburg was established in 1758 and is the county seat of Loudoun County, Virginia, located approximately 40 miles northwest of Washington, D.C. The town has a land area of 11.62 square miles. The April 2000 census data indicated the town's population to be 28,311 and Loudoun County's to be 169,599. Current population estimates are 32,600 and 200,000, respectively.

Leesburg has been organized under the Council-Manager form of government since 1962. The town Council is the legislative body of the town and is empowered by the town Charter to make all town policy. The six Council members are elected at large for four-year overlapping terms and the Mayor, also a member of Council, is elected for a two-year term. The Council, in its legislative role, adopts all ordinances and resolutions and establishes the general policies of the town. The Council also sets the tax rate and adopts the budget.

The Council appoints a town Manager to act as executive and administrative head of the town. The town Manager serves at the pleasure of Council, carries out its policies, directs business procedures, and has the power of appointment and removal of all town employees. Duties and responsibilities of the town Manager include preparation, submission and administration of the capital and operating budgets, advising the Council on the affairs of the town, enforcement of the town Charter and laws of the town, and direction and supervision of all departments.

The town provides general government services through seven operating departments:

Police Protection. The Leesburg Police Department provides full police protection to the citizens of the town including a 24/7 police station, patrol of all areas within the town's boundaries, criminal investigations, special services which includes preventive and support functions, and a dispatch center for radio communications and records management. During the year the Police Department implemented a mobile computer project by placing computers in police vehicles, achieved a 7% reduction in state reported crime incidents, responded to over 27,000 calls for service, closed 40% of its felony cases and provided outreach to 4,000 middle and high school students through the School Resource Officer program for which the town receives federal grant assistance.

Financial Management. The Finance Department is responsible for maintaining all of the town's financial records, paying town bills, payroll processing, utility billing and collections, tax billings and collections, investments, budgeting and procurement. The department is divided among the administrative, budget and purchasing divisions. The department received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the 15th consecutive year, received for the 16th consecutive year the GFOA Distinguished Budget Presentation award and maintained the town's A1 and AA- bond ratings.

Engineering and Public Works. The Engineering and Public Works Department is responsible for review of development plans submitted to the town, maintenance of town streets, refuse collection and recycling, street lights, storm drainage, maintenance of the town's vehicle fleet, maintaining town buildings and property and management of capital projects. During the year over 662 engineering reviews were conducted, 130 right of way permits were issued, 185 lane miles of streets were maintained, 4,800 special trash pickups were made, 51 new street lights were installed, and a new buildings maintenance division was created which serviced 304 vehicles.

Planning, Zoning and Development. The Planning, Zoning and Development Department provides assistance by developing policy for the orderly growth and development of the town. This is accomplished through the comprehensive plan, the zoning ordinance and its enforcement, historic preservation and fostering good inter-governmental relations with adjoining localities and agencies. During the year the department processed 300 subdivision/site plans, issued 844 occupancy and 1,631 zoning permits, and processed 139 Board of Architectural Review applications.

Parks and Recreation. The Parks and Recreation Department provides a variety of recreation services and park facilities to meet the recreational needs of the community. This is provided through the operation of 193 acres of parkland in 13 parks with the Ida Lee Park Recreation complex being the premier facility. During the year, this facility was used by 84,000 patrons. A new \$9 million expansion will be completed in the fall of 2002 that will double the size of the recreation center and expand the recreational opportunities available to our citizens.

Water and Sewer Utilities. The town owns and operates its water and sewer utility system which includes state of the art water and waste water treatment facilities and provides service to 12,358 customers. The water treatment plant was upgraded to a 10 MGD treatment capacity in FY 2002 and construction was completed on the Biological Nutrient Removal and Biosolid Management Upgrade at the waste water treatment plant. Both of these projects received grant funding from the Virginia Water Quality Improvement Act.

Leesburg Executive Airport. Located on the southern town boundary, Leesburg Executive Airport offers extensive service to business aircraft and charter services as well as recreational aviators. The airport has a 5,500 foot runway, three fixed base operators, 59 storage hangars, 157 tiedowns, a 30,000 square foot corporate jet hangar and serves 256 fixed base aircraft.

Town governments in the Commonwealth of Virginia are closely associated with the county in which they are located for the services that are provided to the community. The citizens and businesses located in the town also pay real and personal property taxes to Loudoun County. In exchange for these taxes the county provides public, technical and special education services, health and social services, mental health services, judicial services, correctional facilities, and fire and rescue services to town residents and businesses.

THE REPORTING ENTITY

This report includes all of the funds and account groups of the town, which comprise the town's reporting entity for financial reporting purposes.

THE LOCAL ECONOMY

Due to our proximity to the diverse Washington, D. C. metropolitan area, the town has benefited from a robust regional economy fueled by high technology and internet related industries that complement government related employment in the area. As a result, local per capita income levels are well above the state and national averages with very low unemployment levels. During the past year, these factors have contributed significantly to the fiscal health of the town and have provided us with a tax base that is in excess of \$3 billion and an unreserved general fund balance of approximately \$4.2 million. Downtown Leesburg, once the commercial hub of the county, is again becoming an active town center with specialty retail coexisting with professional offices drawn by the government and courts complexes. Newer areas on the outskirts of town, such as the Leesburg Corner Premium Outlet Mall, are attracting revenue producing properties and are contributing substantially to the town's fiscal well being. Further development surrounding Leesburg Executive Airport offers a viable alternative to locations in the more congested eastern section of the county.

MAJOR INITIATIVES

One of the more significant challenges facing Leesburg is that associated with growth and how the town can meet the demands and services required of a growing community. Loudoun County was designated as the second fastest growing county in the nation in 2001. This unprecedented growth is placing significant demands on the town to provide services to this expanding population. To cope with these demands, the town Council adopted a \$62,866,908 budget for FY 2003 and a \$114,502,752 Capital Improvements Program (CIP) for the years 2003-2007. The budget provided funding for thirty new positions and continues our goal of effecting organizational change. Major projects included in the capital spending plan are: extensive transportation improvements including several road widening projects; several major storm drainage improvements; extensive improvements to the water and sewer utility system including new water storage facilities; and improvements to the airport. The challenge of funding the budget and CIP while simultaneously meeting future budgetary demands with reduced financial resources will be significant. During the past several years the Council has approved budgets where expenditures have exceeded current revenue resources using surplus funds as a funding source in lieu of raising taxes. This is a trend that cannot be continued into the future. The town must begin the process of funding the budget with current revenues. With the uncertainties and volatility of the local and national economy, a renewed focus needs to be directed to the town's fiscal health to ensure that our future financial condition remains stable. This will be a major theme with the submission of the FY 2004 budget.

FINANCIAL INFORMATION

Reporting Standards

The financial information included in this report is presented in accordance with governmental accounting, auditing and financial reporting requirements in conformity with Accounting Principles Generally Accepted in the United States of America, the Governmental Accounting Standards Board (GASB) and uniform financial reporting requirements promulgated by the Auditor of Public Accounts of the Commonwealth of Virginia (APA). All of these standards and requirements for governmental accounting, auditing and financial reporting have been incorporated in this report. All are designed to provide an increased level of efficiency and readability to the presentation of a broad range of financial information into one comprehensive report.

Accounting System and Budgetary Control

The town's accounting records for general governmental operations and expendable trust funds are maintained on a modified accrual basis with the revenue being recorded when available and measurable and the expenditures being recorded when the services or goods are received and the resulting liabilities are incurred, except for interest on general long-term debt which is recognized when due. Accounting records for the town's utility and airport enterprise operations are maintained on the full accrual basis.

In developing and maintaining the town's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- € The safeguarding of assets against loss from unauthorized use or disposition, and
- € The reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that:

- € The cost of a control should not exceed the benefits likely to be derived, and
- € The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the town's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. In addition, the independent auditors evaluate these controls during the course of their annual audit.

Budgetary control is maintained at the department level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of department balances are not released until additional appropriations are made available. Open encumbrances for the general fund are reported as a reservation of the fund balance at the end of the fiscal year.

As a recipient of state financial assistance, the government is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations. This internal control structure is subject to periodic evaluation by management.

As a part of the town's governmental audit requirements described earlier, tests are made to determine the adequacy of the internal control structure, as well as to determine that the government has complied with applicable laws and regulations. The results of the town's governmental audit for the fiscal year ended June 30, 2002 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

General Government Functions

The General Fund, Debt Service Fund and Capital Projects Funds comprise the general government functions of the town of Leesburg. The following highlights some of the more significant financial events occurring within these funds.

General Fund

The General Fund receives all of the town's revenues not designated for specific use by statutes or the town Charter. The following is a summary of the General Fund's revenues and expenditures for the year ended June 30, 2002.

Revenues

Revenues and other financing sources for the general fund totaled \$27,311,119 in FY 2002, which is an increase of \$1,770,868 or 6.9% over the previous year. General property taxes produced 27% of General Fund revenues. The increase in revenues is concentrated primarily in the areas of intergovernmental revenues and consumer related taxes and fees. The amount of revenue from various sources and their increase or decrease over last year are shown in the following table:

<u>Revenues and Other Sources</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase/(Decrease) Over Last Year</u>
General property taxes	\$7,370,961	27.0%	\$ 178,566
Other local taxes	8,357,718	30.6	442,870
Permits, fees and licenses	2,835,808	10.4	(742,037)
Fines and forfeitures	193,034	0.7	21,802
Revenues from use of money and property	394,450	1.4	(110,961)
Charges for services	1,513,834	5.6	102,477
Miscellaneous	251,948	0.9	58,330
Intergovernmental	3,610,578	13.2	1,147,153
Transfer from other funds and other sources	<u>2,782,788</u>	<u>10.2</u>	<u>672,668</u>
Total	<u>\$27,311,119</u>	<u>100.0%</u>	<u>\$1,770,868</u>

The increase in intergovernmental revenues of \$1,147,153 is due to a change in the reporting of the state reimbursement for personal property taxes. In past years the state tax reimbursement was reported under the general property tax category rather than as intergovernmental revenue as is required by the Virginia Auditor of Public Accounts.

The increase in other local tax revenues of \$442,870 is due principally to increases in meals taxes, utility taxes and bank franchise taxes. These revenue increases further indicate the strength of the local economy.

The \$742,037 decrease in revenue from permits, fees and licenses is due to a \$606,233 decrease in development related fees.

Expenditures and Encumbrances

Expenditures, encumbrances and other uses for the General Fund totaled \$29,895,113 in FY 2002, which is an increase of \$3,569,599 or 13.6% from the previous year. Variances among the expenditures and encumbrances for major functions of the town over the preceding year are shown in the following table:

<u>Expenditures, Encumbrances and Other Uses</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase/(Decrease) Over Last Year</u>
Legislative	\$ 215,402	0.7%	\$ 41,218
Executive	2,345,426	7.8	(63,364)
Legal	208,859	0.7	28,808
Planning, Zoning and Development	1,190,979	4.0	153,621
Finance	1,362,112	4.6	60,029
Police	5,565,674	18.6	250,286
Parks and Recreation	3,466,557	11.6	203,917
Balch Library	324,537	1.1	41,180
Public Works and Engineering	7,903,920	26.4	1,470,506
Nondepartmental	590,477	2.0	(942,802)
Transfers to Other Funds	<u>6,721,170</u>	<u>22.5</u>	<u>2,326,200</u>
Total	<u>\$29,895,113</u>	<u>100.0%</u>	<u>\$3,569,599</u>

As the above summary indicates, most departmental budgets increased over the previous year. These increases were due to service level increases authorized by the Council as a means of confronting the demands that growth is having on the town and the town's ability to meet these demands.

The unreserved, undesignated fund balance of the general fund decreased \$1,815,144 during the year to an ending balance of \$4,182,399. This amount is available for use for any lawful purpose and can be used to finance future activities of the town; however, the town has established a financial reserve policy that provides for the fund balance to be retained at a level that equals 10% of budgeted expenditures. The FY 2003 budget contemplates using \$2,101,039 of the ending fund balance as a funding source for the budget.

Capital Projects Funds

The accounting records of the capital projects funds are maintained on a modified accrual basis since they are governmental funds. Revenues of the capital projects funds are generated primarily from development proffers, contributions and donations, sale of land and buildings, transfers from other funds, investment earnings and general obligation bonds.

Enterprise Funds

The town currently has two enterprise funds. These are the Airport Fund and the Water and Sewer operations or Utility Fund.

Enterprise funds are maintained on a full accrual basis. These funds were established to account for the financing of self-supporting activities of the town that provide services to the public on a user fee basis. The following summarizes the financial activities of these funds during FY 2002.

Utility Fund

The following schedule provides comparative data of the utility fund for the last three fiscal years.

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating revenues:			
Service charges	\$7,553,799	\$6,977,365	\$5,750,063
Installation/connection/other	<u>214,197</u>	<u>86,223</u>	<u>3,599,824</u>
Total operating revenues	<u>\$7,767,996</u>	<u>\$7,063,588</u>	<u>\$9,349,887</u>
Total operating expenses	<u>\$8,973,275</u>	<u>\$7,087,224</u>	<u>\$5,870,147</u>
Net income	<u>\$9,051,639</u>	<u>\$14,379,524</u>	<u>\$2,187,254</u>

The decrease in operating revenues and increase in net income is a result of a change in the manner in which installation and connection charges are now reported in our financial statements due to the implementation of GASB Statement 33. These revenues are now recognized as nonoperating revenues rather than operating revenues. Balances for 2001 have been restated to reflect this accounting change. Nonoperating revenues totaled \$13,634,628 in FY 2002, \$19,683,544 in 2001 and \$4,973,247 in 2000.

Airport Fund

The following schedule provides comparative data of airport operations for the last three fiscal years:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Operating revenues:			
Service charges	\$701,854	\$685,520	\$628,507
Other	<u>0</u>	<u>2,112</u>	<u>39,418</u>
Total operating revenues	<u>\$701,854</u>	<u>\$687,632</u>	<u>\$667,925</u>
Total operating expenses	<u>\$905,049</u>	<u>\$746,664</u>	<u>\$682,533</u>
Net income (loss)	<u>\$2,596,250</u>	<u>\$182,227</u>	<u>\$(173,799)</u>

The increase in net income is due to a change in the accounting treatment of FAA and Virginia Department of Aviation grant revenues as a result of the implementation of GASB Statement 33. These revenues were previously reported as contributed capital rather than non-operating revenue. Grant revenues equaled \$2,595,903 in FY 2002.

General Long-Term Debt Account Group

The accounts of the general long-term debt account group represent the general long-term liabilities of the town with the exception of long-term debt from enterprise fund operations where the debt is accounted for within the utility fund and the airport fund.

The following table summarizes general long-term debt account group account balances as of June 30, 2002:

Description

Long-term accrual for compensated absences	\$763,709
Capital leases	677,775
Note payable	80,000
Bonds payable	<u>43,962,288</u>
Total general long-term debt	<u>\$45,483,772</u>

Debt Administration

The town uses the debt service fund to account for the payment of interest and principal of long-term debt obligations. All general obligation serial bonds and interest, with the exception of those issued by enterprise funds are serviced by this fund. Total debt service fund debt service and fiscal payments for 2002 were \$4,476,449. Outstanding long-term debt obligations of the town's airport and utility enterprise funds totaled \$38,766,090. The town is currently rated by both Moody's Investors Service and Standard & Poor's and carries credit ratings of A1 and AA-, respectively.

General Fixed Assets Account Group

The general fixed assets account group summarizes those fixed assets used in the performance of general government functions excluding the fixed assets of the enterprise funds and those of value only to the town such as streets, sidewalks, curbs, gutters and drainage facilities. The town's general fixed asset capitalization policy provides for the capitalization of land, buildings and improvements and equipment with an acquisition cost of \$5,000 or more and a useful life of more than one year.

Depreciation is not recorded in the general fixed assets account group and, as a result, the cost of equipment shown is greater than the current fair market value and the cost of land and buildings is significantly less than the current fair market value.

The following table summarizes the town's general fixed assets as of June 30, 2002:

	<u>General Fixed Assets</u>
Land	\$6,330,354
Buildings	29,956,193
Improvements other than buildings	5,253,052
Construction in progress	6,409,943
Equipment	<u>3,931,933</u>
Total general fixed assets	<u>\$51,881,475</u>

OTHER INFORMATION

Cash Management

The town maintains an aggressive cash management program with the objective of increasing non-tax revenues. The primary goals of the cash management program are to maximize the amount of cash available to meet daily needs, to increase the amount available for investment and to earn the maximum prudent return on invested funds.

Pooled cash, temporarily idled during the year, was invested daily in repurchase agreements, the State Treasurer's Local Government Investment Pool and U.S. Treasury and agency securities. The town earned \$2,046,959 in interest during FY 2002 from investments in all funds, a decrease of \$999,615 over last year. Investment yields have declined substantially in the past year with year end averages at 2.59% versus 4.98% last year. This decline in yield was the primary reason for the decrease in investment earnings.

At the end of the year, the value of the town's cash deposits and fair value of investments equaled \$64,960,551, a decrease of \$899,281 over last year. All bank balances were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under this Act, banks holding public deposits in amounts in excess of federal depository insurance must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the Act and for notifying local governments of compliance by banks.

Risk Management

The town uses an independent risk management consultant to assess and evaluate the town's liability insurance program. As a part of their services, the consultant analyzes the extent of the town's liability exposure and recommends the types and extent of insurance coverage's the town should maintain.

Independent Audit

Article VI, Section 2-86 of the Leesburg town Code requires an annual audit of the financial and administrative affairs of the town by a qualified and competent certified public accountant.

PBGH, LLP Certified Public Accountants, audited the financial and administrative affairs of the town. Their unqualified opinion and report on the general purpose financial statements, individual fund, combining and account group financial statements and schedules is included in the financial section of this report.

GFOA Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the town of Leesburg for its comprehensive annual financial report for the fiscal year ended June 30, 2001. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such comprehensive annual financial report must satisfy both Accounting Principles Generally Accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The town of Leesburg has received a Certificate of Achievement for the last fifteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting it to the GFOA for consideration.

The town also received, for the sixteenth consecutive year, the GFOA award for Distinguished Budget Presentation for our annual budget for the fiscal year beginning July 1, 2001. In order to receive this award, the town must publish a budget that serves as a policy document, operations guide, financial plan and communications medium.

This award is also valid for only a one-year period and the town will continue participation in this awards program by submitting its FY 2003 budget to the GFOA for consideration.

Acknowledgments

Principal recognition for the preparation of this comprehensive annual financial report is due to the staff of the town's Finance Department with particular recognition to Gerardo Clemente, Deputy Finance Director, for his effort during the audit process. The town's excellent financial condition is a direct result of their efforts. Indeed, all departments continue to meet their responsibilities with creativity, enthusiasm and professionalism further adding to the overall financial performance of the town. Everyone's contributions are very much recognized and appreciated.

Respectfully submitted,

Robert S. Noe, Jr.
Town Manager

Paul E. York
Director of Finance

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
Town of Leesburg
Leesburg, Virginia

We have audited the accompanying general-purpose financial statements of the Town of Leesburg, Virginia, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. The financial statements of the Town of Leesburg, Virginia for the year ended June 30, 2001 were audited by other auditors whose report, dated October 2, 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Leesburg, Virginia, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, on July 1, 2001, the Town of Leesburg changed its method of accounting for capital contributions.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2002 on our consideration of the Town of Leesburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Town of Leesburg, Virginia, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as well as the accompanying financial information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

The other data included in this report, designated as the "Introductory Section" and the "Statistical Section" in the table of contents of this report, was not audited by us and, accordingly, we express no opinion on such data.

Harrisonburg, Virginia
September 13, 2002

TOWN OF LEESBURG, VIRGINIA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

(With Comparative Totals for 2001)

	Governmental Fund Types		Proprietary Fund Type
	General	Capital Projects	Enterprise
ASSETS			
Cash, cash equivalents, and temporary cash investments	\$ 4,122,782	\$ 13,846,026	\$ 38,590,300
Receivables (net of allowance for doubtful accounts)			
Property taxes, including penalties	3,930,730	-	-
Utility taxes	177,421	-	-
Accounts	738,055	1,657,229	1,565,064
Accrued interest	55,677	10,923	378,446
Due from other funds	697,736	-	-
Due from other governments	1,075,723	153,460	755,347
Restricted assets:			
Cash, cash equivalents, and temporary cash investments	4,474,543	285,000	1,643,386
Deferred charges	-	-	131,190
Fixed assets (net, where applicable, of accumulated depreciati	-	-	122,877,773
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	\$ 15,272,667	\$ 15,952,638	\$ 165,941,506
LIABILITIES			
Accounts payable	\$ 754,180	\$ 1,599,643	\$ 893,613
Accrued liabilities	793,224	-	227,695
Interest payable	-	-	853,714
Retainage payable	-	557,960	727,962
Current maturities of long-term debt	-	-	1,637,182
Customer deposits and contingent charges	4,029,900	-	918,575
Due to other funds	-	-	697,736
Deferred revenues	3,936,400	-	-
Compensated absences	6,000	-	246,295
Capital lease obligations	-	-	-
Notes payable	-	-	-
Long-term debt	-	-	37,128,908
Total liabilities	9,519,704	2,157,603	43,331,680
TOWN EQUITY			
Contributed capital	-	-	65,701,233
Investment in general fixed assets	-	-	-
Retained earnings	-	-	56,908,593
Fund balances:			
Reserved for encumbrances	872,828	-	-
Reserved for advances to other funds	697,736	-	-
Unreserved - designated for future expenditures	-	13,795,035	-
Unreserved - undesignated	4,182,399	-	-
Total Town equity	5,752,963	13,795,035	122,609,826
Total liabilities and Town equity	\$ 15,272,667	\$ 15,952,638	\$ 165,941,506

See Notes to Financial Statements.

Fiduciary Fund Type Expendable Trust	Account Groups		(Totals Memorandum Only)	
	General Long- Term Debt	General Fixed Assets	2002	2001
\$ 1,998,514	\$ -	\$ -	\$ 58,557,622	\$ 61,211,809
-	-	-	3,930,730	3,296,878
-	-	-	177,421	284,989
-	-	-	3,960,348	2,644,989
5,881	-	-	450,927	277,114
-	-	-	697,736	1,155,882
-	-	-	1,984,530	1,187,372
-	-	-	6,402,929	4,648,023
-	-	-	131,190	2,098,431
-	-	51,881,475	174,759,248	160,781,119
-	45,483,772	-	45,483,772	42,825,039
\$ 2,004,395	\$ 45,483,772	\$ 51,881,475	\$ 296,536,453	\$ 280,411,645
\$ 18,587	\$ -	\$ -	\$ 3,266,023	\$ 3,427,086
-	-	-	1,020,919	1,053,538
-	-	-	853,714	879,113
-	-	-	1,285,922	1,128,520
-	-	-	1,637,182	1,283,114
-	-	-	4,948,475	5,084,557
-	-	-	697,736	1,155,882
-	-	-	3,936,400	3,444,706
-	763,709	-	1,016,004	786,416
-	677,775	-	677,775	354,572
-	80,000	-	80,000	120,000
-	43,962,288	-	81,091,196	81,583,136
18,587	45,483,772	-	100,511,346	100,300,640
-	-	-	65,701,233	65,701,233
-	-	51,881,475	51,881,475	44,844,284
-	-	-	56,908,593	45,260,704
-	-	-	872,828	1,186,888
-	-	-	697,736	697,736
1,985,808	-	-	15,780,843	16,840,654
-	-	-	4,182,399	5,579,506
1,985,808	-	51,881,475	196,025,107	180,111,005
\$ 2,004,395	\$ 45,483,772	\$ 51,881,475	\$ 296,536,453	\$ 280,411,645

See Notes to Financial Statements.

TOWN OF LEESBURG, VIRGINIA

Exhibit 2

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2002
(With Comparative Totals for 2001)**

	Governmental Fund Types			Fiduciary Fund Type	(Totals Memorandum Only)	
	General	Debt Service	Capital Projects	Expendable Trust	2002	2001
Revenues:						
General property taxes	\$ 7,370,961	\$ -	\$ -	\$ -	\$ 7,370,961	\$ 7,058,286
Other local taxes	8,357,718	-	1,051,931	-	9,409,649	7,951,780
Permits, fees and licenses	2,835,808	-	-	-	2,835,808	3,577,845
Fines and forfeitures	193,034	-	-	-	193,034	171,232
Revenue from use of money and property	394,450	-	415,774	71,792	882,016	1,330,057
Charges for services	1,513,834	-	-	-	1,513,834	1,411,357
Miscellaneous	251,948	-	276,000	300,000	827,948	468,618
Intergovernmental	3,610,578	-	2,759,207	-	6,369,785	2,940,802
Total revenues	24,528,331	-	4,502,912	371,792	29,403,035	24,909,977
Expenditures:						
Current:						
Legislative	215,002	-	-	-	215,002	173,991
Executive	2,218,957	-	-	-	2,218,957	2,251,040
Legal	208,859	-	-	-	208,859	181,248
Planning, zoning and development	1,185,866	-	-	-	1,185,866	1,029,726
Finance	1,353,870	-	-	-	1,353,870	1,301,587
Police	5,534,672	-	-	-	5,534,672	5,147,052
Parks and recreation	3,373,971	-	-	-	3,373,971	3,119,999
Balch library	323,146	-	-	-	323,146	284,282
Engineering and public works	7,297,184	-	-	-	7,297,184	5,773,596
Nondepartmental	589,588	-	-	46,590	636,178	2,045,106
Capital projects	-	-	11,436,646	-	11,436,646	3,993,488
Debt service:						
Principal	-	2,233,343	-	-	2,233,343	1,809,214
Interest and fiscal charges	-	2,243,106	-	-	2,243,106	1,508,871
Total expenditures	22,301,115	4,476,449	11,436,646	46,590	38,260,800	28,619,200
Revenues over (under) expenditures	2,227,216	(4,476,449)	(6,933,734)	325,202	(8,857,765)	(3,709,223)
Other Financing Sources (Uses):						
Bond and lease proceeds	565,756	-	4,173,744	-	4,739,500	12,938,960
Operating transfers in	2,217,032	4,476,449	2,433,417	-	9,126,898	6,421,403
Operating transfers out	(6,721,170)	-	(624,441)	(434,000)	(7,779,611)	(4,975,368)
Other operating sources (uses), net	(3,938,382)	4,476,449	5,982,720	(434,000)	6,086,787	14,384,995
Revenues and other financing sources over (under) expenditures and other financing uses	(1,711,166)	-	(951,014)	(108,798)	(2,770,978)	10,675,772
Fund balances, beginning of year, as restated	7,464,129	-	14,746,049	2,094,606	24,304,784	13,629,012
Fund balances, end of year	\$ 5,752,963	\$ -	\$ 13,795,035	\$ 1,985,808	\$ 21,533,806	\$ 24,304,784

See Notes to Financial Statements.

TOWN OF LEESBURG, VIRGINIA

Exhibit 3

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2002**

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
General property taxes	\$ 8,052,371	\$ 7,370,961	\$ (681,410)
Other local taxes	9,120,000	8,357,718	(762,282)
Permits, fees and licenses	3,360,000	2,835,808	(524,192)
Fines and forfeitures	192,000	193,034	1,034
Revenue from use of money and property	380,500	394,450	13,950
Charges for services	1,483,900	1,513,834	29,934
Miscellaneous	152,940	251,948	99,008
Intergovernmental	2,465,064	3,610,578	1,145,514
Total revenues	25,206,775	24,528,331	(678,444)
Expenditures:			
Current:			
Legislative	241,147	215,402	25,745
Executive	2,638,806	2,345,426	293,380
Legal	232,976	208,859	24,117
Planning, zoning and community development	1,243,148	1,190,979	52,169
Finance	1,409,695	1,362,112	47,583
Police	5,662,975	5,565,674	97,301
Parks and recreation	3,477,460	3,466,557	10,903
Balch library	335,247	324,537	10,710
Engineering and public works	8,088,382	7,903,920	184,462
Nondepartmental	1,162,691	590,477	572,214
Total expenditures	24,492,527	23,173,943	1,318,584
Revenues over expenditures	714,248	1,354,388	640,140
Other Financing Sources (Uses):			
Bond and lease proceeds	384,000	565,756	181,756
Operating transfers in	2,217,000	2,217,032	32
Operating transfers out	(7,219,344)	(6,721,170)	498,174
Other financing uses, net	(4,618,344)	(3,938,382)	679,962
Revenues and other financing sources over (under) expenditures and other financing uses	(3,904,096)	(2,583,994)	1,320,102
Fund balances, beginning of year, as restated	3,904,096	7,464,129	3,560,033
Fund balances, end of year	\$ -	\$ 4,880,135	\$ 4,880,135

See Notes to Financial Statements.

TOWN OF LEESBURG, VIRGINIA

Exhibit 4

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2002
(With Comparative Totals for 2001)**

	Enterprise Funds	
	2002	2001
Operating Revenues:		
Charges for services	\$ 8,255,653	\$ 7,662,885
Other	214,197	88,335
Total operating revenues	8,469,850	7,751,220
Operating Expenses:		
Personal services	4,167,592	3,496,765
Contractual services	1,119,796	386,365
Depreciation	3,116,270	2,451,359
Other charges	1,474,666	1,499,399
Total operating expenses	9,878,324	7,833,888
Operating loss	(1,408,474)	(82,668)
Nonoperating Revenues (Expenses):		
Insurance bonding settlement	-	636,357
Grant revenue	2,972,392	3,116,276
Installation and connection charges	10,853,399	13,165,688
Interest on investments	1,356,316	2,153,581
Developer donated assets	1,105,781	1,010,915
Interest and fiscal charges on bonds	(1,877,983)	(1,728,816)
Loss on disposal of assets	(6,255)	(2,263,547)
Total nonoperating revenues	14,403,650	16,090,454
Income before operating transfers	12,995,176	16,007,786
Operating Transfers:		
Operating transfers in	435,745	102,675
Operating transfers out	(1,783,032)	(1,548,710)
Total operating transfers, net	(1,347,287)	(1,446,035)
Net income	11,647,889	14,561,751
Retained earnings, beginning of year, as restated	45,260,704	30,698,953
Retained earnings, end of year	<u>\$ 56,908,593</u>	<u>\$ 45,260,704</u>

See Notes to Financial Statements.

TOWN OF LEESBURG, VIRGINIA

Exhibit 5

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2002
(With Comparative Totals for 2001)**

	Enterprise Funds	
	2002	2001
Cash Flows From Operating Activities		
Operating loss	\$ (1,408,474)	\$ (82,668)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	3,116,270	2,451,359
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(89,634)	(353,893)
Due from other governments	(755,347)	53,625
Due from other funds	458,146	(458,146)
Increase (decrease) in:		
Accounts payable	(819,567)	911,392
Accrued liabilities	(3,571)	183,968
Compensated absences	77,012	46,594
Deposits and contingent charges	68,491	56,570
Net cash provided by operating activities	643,326	2,808,801
Cash Flows From Noncapital Financing Activities		
Operating transfers out	(1,783,032)	(1,548,710)
Operating transfers in	435,745	102,675
Net cash used in noncapital financing activities	(1,347,287)	(1,446,035)
Cash Flows From Capital and Related Financing Activities		
Insurance bonding settlement	-	636,357
Connection availability fees	10,853,399	13,165,688
Grant revenue	2,972,392	3,116,276
Acquisition and construction of capital assets	(8,957,682)	(18,695,737)
Interest	(1,756,886)	(1,485,992)
Proceeds from debt issuance	962,525	9,321,202
Principal paid on bonds	(1,502,606)	(1,171,945)
Net cash provided by capital and related financing activities	2,571,142	4,885,849
Cash Flows From Investing Activities		
Interest on investments	1,238,852	2,283,994
Net increase in cash and cash equivalents	3,106,033	8,532,609
Cash and cash equivalents, beginning of year	37,127,653	28,595,044
Cash and cash equivalents, end of year	\$ 40,233,686	\$ 37,127,653
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Developer donated capital improvements	\$ 1,105,781	\$ 1,010,915
Cash payments for interest, net of capitalized interest of \$237,225 in 2002 and \$243,831 in 2001	\$ 1,756,886	\$ 1,485,992

See Notes to Financial Statements.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Leesburg, Virginia (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town of Leesburg, Virginia is located in the County of Loudoun, Virginia and was incorporated in 1758 under the provisions of the constitution and general statutes of the Commonwealth of Virginia.

The Town is an incorporated municipal government governed by an elected mayor and six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and any potential component units, entities for which the Town is considered to be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and either (a) the ability to impose its will on the component unit, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based upon the above, all potential component units were evaluated for inclusion in the reporting entity and it was determined there are no component units requiring inclusion in the Town's reporting.

B. Basis of Presentation - Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The government has the following fund types and account groups:

1. Governmental Funds

Governmental Funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the Town's governmental fund types:

General Fund

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund accounts for the servicing of general long-term debt not being financed by proprietary or non-expendable trust funds.

Capital Projects Funds

The Capital Projects Funds account for the financial resources to be used for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

2. Proprietary Funds

Proprietary Funds are used to account for the Town's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The Town elected to apply all applicable Financial Accounting Standards Board pronouncements issued prior to and after November 30, 1989 in accounting and reporting for its proprietary operations. The following is the Town's proprietary fund type:

Enterprise Funds

Enterprise Funds are used to account for services to the general public which are financed primarily by charges to users of such services. The enterprise funds consist of the Airport Fund and Water and Sewer Fund.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

3. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Town under the terms of a formal trust agreement. The following is the Town's fiduciary fund type:

Expendable Trust Funds

Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. Expendable Trust Funds consist of the Balch Library and Irwin W. Uran Trusts.

4. Accounts Groups

Account groups are used to establish accounting control and accountability for the Town's general fixed assets and general long-term debt. The following are the Town's account groups:

The General Fixed Assets Account Group is established to account for all fixed assets of the Town, other than those accounted for in the proprietary funds.

The General Long-Term Debt Account Group is established to account for all long-term debt of the Town except that accounted for in the proprietary funds.

5. "Memorandum Only" Total Columns on Combined Statements - Overview

The total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Modified Accrual Basis of Accounting

The modified accrual basis of accounting is used for the governmental fund types and the expendable trust funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

The Town recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return.

Property taxes that have been levied and are due on or before year-end are recognized as revenue if they have been collected within 45 days after year-end. Sales and utility taxes are considered to be measurable when they have been collected by the state or the utility and are recognized as revenue at that time.

In determining when to recognize intergovernmental revenues (grants, subsidies and shared revenues), the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two bases for this revenue recognition. In one, funds must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, funds are virtually unrestricted as to purpose of expenditure and nearly irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements, e.g., equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability. Other major revenues that are determined to be susceptible to accrual include utility franchise taxes, interest, rentals and intracounty charges. Major revenues that are determined to not be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses and permits.

Expenditures are recognized when the related fund liability is incurred, except for interest on long-term debt which is recognized when paid.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Accrual Basis of Accounting

The accrual basis of accounting is used for all proprietary funds. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred. Investment earnings are accrued. The revenues of the utilities, which are based upon service rates authorized by Town Council, are determined by monthly billings to customers. Earned but unbilled revenues are accrued and reported in the financial statements. Interdepartmental work orders are billed when the service is completed, and unbilled costs are reported as unbilled receivables.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds and expendable trusts are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net assets.

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with this activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in equity. As required for periods beginning after June 15, 2000 by Statement 33 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Nonexchange Transactions*, the Town has begun recognizing capital contributions as revenue in the current year, rather than as contributed capital.

D. Budgetary Data

Budgetary Information

Budgets are adopted and maintained on the modified accrual basis adjusted for encumbrances. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year-end to the extent they have not been expended or lawfully encumbered. Project-length financial plans are adopted for all Capital Projects Funds. Budgets are not adopted for the Debt Service Funds since budgetary control is maintained through the General Fund. Budgets for enterprise funds serve as a spending guide for the Town and do not constitute legally binding limitations.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data (Continued)

Budgetary Information (Continued)

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Each year all departments of the government submit requests for appropriation to the Town Manager so that a budget may be prepared. The budget is prepared by fund, department, activity, and expenditure and includes information on the past, current year estimates, and requested appropriations for the next fiscal year.

Before April 1, the proposed budget is presented to the Town's council for review. The Town Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Town's Manager or the revenue estimates must be changed by an affirmative vote of a majority of the Town Council.

Expenditures may not legally exceed budgeted appropriations at the department level. The Town Manager has authority to amend or transfer appropriations within the department level. During the year ended June 30, 2002, General Fund supplemental appropriations totalling \$1,682,315 were authorized by Town Council.

Budgeted (Non-GAAP)/GAAP Reconciliation

The following is a reconciliation of actual General Fund expenditures and fund balance presented on the budgetary basis in Exhibit 3 to the actual General Fund expenditures and fund balance presented in Exhibit 2 in accordance with accounting principles generally accepted in the United States of America:

	Total Expenditures and Transfers	Fund Balance
Budgetary basis as per Exhibit 3	\$ 29,895,113	\$ 4,880,135
Encumbrances at June 30, 2002	(872,828)	872,828
GAAP basis per Exhibit 2	<u>\$ 29,022,285</u>	<u>\$ 5,752,963</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies

1. Cash and Cash Equivalents

The Town considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash of individual funds are combined to form a pool of cash and investments. The pool consists primarily of government obligations and a local government investment pool. The government securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on month-end balances.

2. Investments

Investments are stated at fair value based on quoted market prices.

3. Property Taxes

Real estate and personal property taxes are assessed annually by Loudoun County, Virginia, for all property of record as of January 1. The Town bills and collects its property taxes based on the assessed values provided by the County. Real estate taxes are levied annually on January 1 and are due in semi-annual installments on June 5 and December 5. Personal property taxes are levied annually on January 1 and are due October 5 with pro-ration of personal property taxes throughout the year. Prorated personal property taxes levied after June 15 are due February 5.

Collections of real estate and personal property taxes between July 1 and August 15 of the subsequent fiscal year, classified as delinquent at June 30, are recorded as revenue for the fiscal year then ended. Liens attach to the property when the tax remains unpaid after July 1 of the following year. The billings are considered past due after the respective tax billing date at which time the applicable property is subject to a 10% penalty and interest is assessed 30 days therefrom.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

4. Allowance for Uncollectible Accounts

The trade and property tax receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined by using historical collection data and account analysis. The allowance amounted to \$88,000 on June 30, 2002, and is composed of the following:

Enterprise funds:	
Water and sewer fund	\$ 60,000
Airport fund	3,000
General fund:	
Property taxes	25,000
Total allowance	<u>\$ 88,000</u>

5. Restricted Assets

Trustee Held Escrow Deposits – Certain proceeds of the Town's Series 1992 Enterprise Fund Utility System Revenue Bond, and 1997 Utility System Revenue Refunding Bonds as well as certain resources set aside for their repayment, are combined and classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and are to be held by a trustee. The Utility System Bond Fund Interest Account and Principal Account are used to report resources set aside for future debt service. The Utility System Debt Service Reserve Fund is used to the extent necessary to set aside reserve funds for interest and principal debt service payments.

Customer Deposits – The Town collects a utility deposit when a new customer establishes a water/sewer account. Under certain circumstances, the deposit is refunded. Cash is restricted to set aside resources for future refunding along with a related customer deposit liability.

Off-site Fees, Performance Bonds, Lease Escrow and Police Escrow Deposits – Cash funds are restricted to set aside resources designated for fulfilling the obligation related to these deposit liabilities. As funds are utilized for these purposes, the restricted cash asset and deposit liability is reduced.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

6. Fixed Assets

Fixed assets used in governmental fund types of the Town are recorded in the general fixed assets account group at cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds of the Town are recorded at cost. Assets donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed.

Property, plant and equipment are depreciated in the proprietary funds of the Town using the straight-line method over the following estimated useful lives by asset class, as follows:

Type of Asset	Years
Water and sewer infrastructure	10 - 50
Equipment	5 - 8
Airport buildings and runways	30 - 50
Airport equipment	5 - 25

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

7. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group.

8. Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums, discounts, and deferred losses. Issuance costs are reported as deferred charges.

9. Fund Equity

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

10. Comparative Data

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Other Significant Accounting Policies (Continued)

11. Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue of the General Fund at June 30, 2002 is comprised of the following:

Uncollected tax billings due June 5	\$ 603,194
Advance collection of 2002-2003 taxes	183,111
Assessment due December 5, net of collections	3,150,095
	<u>\$ 3,936,400</u>

Note 2. Deposits and Investments

Deposits. All cash of the Town of Leesburg is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

Investments. Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Pool (LGIP).

The Director of Finance has investments in the LGIP. The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec. 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The Town's investments are categorized below to give an indication of the level of risk assumed by the Town at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its safekeeping agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer bank's trust department or safekeeping agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the Town's name.

	Category			Fair Value
	1	2	3	
U. S. Agencies notes/bonds	\$ -	\$ 37,366,743	\$ -	\$ 37,366,743
Investments not subject to risk categorization:				
State non-arbitrage program				10,759,471
Local Government Investment Pool				9,781,148
U. S. money market funds				1,729,339
Total investments				59,636,701
Total deposits				5,322,400
Total cash on hand and petty cash				1,450
Total cash, cash equivalents, and temporary cash investments				\$ 64,960,551
Reconciliation to cash, cash equivalents, and temporary cash investments of the reporting entity as reported on the combined balance sheet:				
Cash, cash equivalents, and temporary cash investments				\$ 58,557,622
Restricted cash				6,402,929
Total				\$ 64,960,551

Note 3. Estimated Unbilled Revenue

Water and sewer fund revenues are estimated at year-end for unbilled services rendered. The amounts are determined by estimating services rendered based on past services provided. At June 30, 2002, estimated unbilled services amounted to \$1,053,464.

TOWN OF LEESBURG, VIRGINIA
NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments

At June 30, 2002, amounts due from other governments were as follows:

General Fund:

Commonwealth of Virginia:

Local sales taxes	\$ 453,017
Personal property tax relief	80,188
Other taxes and excess fees	31,149
ABC profits	11,492
Wine taxes	9,020
Highway maintenance funds	377,300
	<u>962,166</u>

Northern Virginia Cigarette Tax Board	<u>100,541</u>
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Other governments	<u>13,016</u>
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Total General Fund	<u>1,075,723</u>
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Capital Projects Fund:

Parks and Recreation Fund:

Virginia Department of Transportation	<u>153,460</u>
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Enterprise Fund:

Airport Fund:

Commonwealth of Virginia	342,500
Federal government	412,847
Total Airport Fund	<u>755,347</u>

Total	<u>\$ 1,984,530</u>
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TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Fixed Assets

A summary of changes in general fixed assets follows:

	Balance June 30, 2001	Additions	Reclass/ Retirements	Balance June 30, 2002
Land	\$ 6,330,354	\$ -	\$ -	\$ 6,330,354
Buildings	29,956,193	-	-	29,956,193
Improvements other than buildings	1,334,541	-	3,918,511	5,253,052
Construction in progress	3,677,418	6,651,036	(3,918,511)	6,409,943
Equipment	3,545,777	500,935	(114,779)	3,931,933
Total	<u>\$ 44,844,283</u>	<u>\$ 7,151,971</u>	<u>\$ (114,779)</u>	<u>\$ 51,881,475</u>

The following is a summary of the Enterprise Funds' fixed assets at June 30, 2002:

	Utility Fund	Airport Fund	Total Enterprise Funds
Land	\$ 182,901	\$ 8,785,337	\$ 8,968,238
Water system	45,508,265	-	45,508,265
Sewer system	70,617,935	-	70,617,935
Equipment	1,663,329	1,426,216	3,089,545
Hangars	-	3,184,882	3,184,882
Runway	-	9,658,557	9,658,557
Terminal building	-	2,236,063	2,236,063
Construction in progress	1,440,687	2,342,656	3,783,343
Software	13,000	-	13,000
	<u>119,426,117</u>	<u>27,633,711</u>	<u>147,059,828</u>
Less accumulated depreciation	<u>20,488,633</u>	<u>3,693,422</u>	<u>24,182,055</u>
Total	<u>\$ 98,937,484</u>	<u>\$ 23,940,289</u>	<u>\$ 122,877,773</u>

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Interfund Assets/Liabilities

Due from/to other funds:

Receivable Fund	Payable Fund	Amount
General	Airport	\$ 697,736

The Airport Fund has not had sufficient cash flow from operations to meet all of its operating expenses and debt service costs. As a result, the General Fund has made operating cash advances to the Airport Fund to provide working capital and cover the annual cash deficits. No formal terms have been established for the repayment of the balance.

Note 7. Long-Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and for refunding of general obligation bonds. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as serial bonds with amounts of principal maturing each year.

Outstanding long-term debt at June 30, 2002, includes the following bond issues:

General Obligation Bonds

\$4,200,000 2001 General Obligation Bonds due in annual installments of \$154,578 through January 2022; including interest at 4.02%	\$ 4,200,000
\$14,545,000 2000 General Obligation Public Improvement Bonds due in annual installments of \$15,000 to \$1,810,000 through January 2021; interest at 4.5% to 6%	14,400,000
\$9,480,000 1999 General Obligation Public Improvement Bonds due in annual installments of \$360,000 to \$700,000 through June 2019; interest at 3.75% to 4.80%	8,610,000
\$8,035,000 1998 General Obligation Refunding Bonds due in annual installments of \$55,000 to \$965,000 through July 2016; interest at 4.00% to 4.50%	7,725,001
\$670,000 1998 General Obligation Bond due in monthly installments of \$6,928 through February 2008, including interest at 4.45%	415,703

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

\$12,300,000 1996 General Obligation Public Improvement Bonds, \$5,065,000 refunded December 1998, remaining balance due in annual installments of \$505,000 to \$705,000 through June 2010; interest at 4.90% to 5.40%	\$ 4,795,001
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\$18,065,000 1993 General Obligation Refunding Bonds, \$1,020,000 refunded December 1998, remaining balance due in annual installments of \$375,000 to \$1,605,000 through August 2010; interest at 5.10% to 5.70%	10,630,000
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\$1,500,000 1972 Water and Sewer Serial Bonds due in annual installments of \$25,000 through December 2002; interest at 4.90%	25,000
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Revenue Bonds

The Town also issues bonds where the Town pledges income derived from the acquired or constructed assets to pay debt service.

Revenue Bonds

\$11,000,000 VRA 1999 Utility System Revenue Bonds; due in semi-annual principal and interest installments of \$391,534; interest at 3.50%	10,598,449
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\$23,265,000 1997 Utility System Revenue Refunding Bonds due in annual installments beginning July 2004 of \$70,000 to \$1,900,000 through July 2022; interest at 4.50% to 5.125%	23,265,000
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\$26,575,000 1992 Utility System Revenue Bonds; \$22,710,000 deceased October 1997; remaining balance due in an installment of \$575,000 July 2002; interest at 5.75%	575,000
	<hr/> 85,239,154
Less unamortized discount and deferred loss	2,510,776
Total bonded debt	<hr/> \$ 82,728,378 <hr/>

The Revenue Bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water and sewer system. The revenue of the water and sewer system and the various special funds established by the bond covenants collateralizes the bonds. The covenants provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be retained in a surplus account. The covenants also contain certain provisions, which require the Town to maintain revenues, as defined in the covenants of at least 1.25 times the annual debt service requirements. For fiscal year 2002, all revenue bond covenants were met.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

The allocation of debt to funds and the general long-term debt account group net of issuance discount and deferred loss is as follows:

Description	Enterprise Funds	General Long-Term Debt Account Group	Totals
Bond long-term debt:			
1972 Water and sewer	\$ 25,000	\$ -	\$ 25,000
1992 Utility revenue	575,000	-	575,000
1993 General obligation refunding	3,114,590	7,515,410	10,630,000
1996 General obligation public	350,853	4,444,148	4,795,001
1997 Utility revenue refunding	20,754,224	-	20,754,224
1998 General obligation	415,703	-	415,703
1998 General obligation refunding	1,391,471	6,333,530	7,725,001
1999 Public improvement	-	8,610,000	8,610,000
1999 VRA utility revenue	10,598,449	-	10,598,449
2000 Public improvement	1,540,800	12,859,200	14,400,000
2001 General obligation bond	-	4,200,000	4,200,000
Total bonds payable	38,766,090	43,962,288	82,728,378
Other long-term debt:			
Note payable	-	80,000	80,000
Capital leases	-	677,775	677,775
Accrued vacation	-	763,709	763,709
Totals	\$ 38,766,090	\$ 45,483,772	\$ 84,249,862

Annual requirements to amortize long-term debt and related interest payments are as follows:

Year Ending June 30,	Bonded Obligations		Capital Leases	Note Payable
	Principal	Interest		
2003	\$ 4,061,414	\$ 4,005,684	\$ 318,109	\$ 40,000
2004	3,525,958	3,798,619	179,833	40,000
2005	4,435,238	3,630,834	179,833	-
2006	4,545,438	3,423,099	-	-
2007	4,591,594	3,201,828	-	-
Thereafter	64,079,512	23,284,429	-	-
Totals	\$ 85,239,154	\$ 41,344,493	\$ 677,775	\$ 80,000

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

The changes in general long-term debt are as follows:

	Balance Beginning	Additions	Retirements	Balance Ending
General Long-Term Debt Payable:				
Bonds	\$ 41,756,309	\$ 4,200,000	\$ 1,994,021	\$ 43,962,288
Note payable	120,000	-	40,000	80,000
Capital lease	337,597	539,500	199,322	677,775
Accrued vacation	611,133	152,576	-	763,709
	<hr/>	<hr/>	<hr/>	<hr/>
Total general long-term debt payable	\$ 42,825,039	\$ 4,892,076	\$ 2,233,343	\$ 45,483,772

The legal debt margin mandated by the Commonwealth of Virginia is \$266,488,792, which is computed, based upon 10% of the assessed value on real estate subject to taxation less applicable bonded debt.

Capital Lease Payable. The Town is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. Assets purchased through capital lease programs are subject to security agreements. The carrying value of assets under outstanding capital leases totalled approximately \$1,204,250. Interest rates on the leases approximate 2.87% and 4.18%.

Note Payable. The Town is obligated under a note payable dated March 1999 to the Virginia Outdoor Recreation and Revolving Loan Program. The terms of the note are \$200,000 at 3.75% with annual principal payments of \$40,000 through March 2004.

In prior years, the Town defeased certain general obligation debt by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2002, approximately \$28,795,000 of bonds that were previously accounted for by the Town are considered defeased.

Note 8. Contributed Capital

Grants, entitlements, and shared revenues restricted for the acquisition or construction of capital assets were recorded as contributed capital prior to the implementation of GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. As required by GASB Statement 33, the Town has begun recognizing capital contributions from external sources as revenue in the current year rather than as contributed capital.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Commitments and Contingent Liabilities

At June 30, 2002, major outstanding commitments for construction projects are as follows:

Project	
Water Treatment Plant Expansion	\$ 536,000
Cardinal Park Sewer Phase II	323,000
North Apron Expansion	687,000
Freedom Park	1,422,000
Ida Lee Recreation Center	1,930,000
Catoctin Circle Widening	1,157,000
Fairview Street improvements	515,000

Note 10. Irwin W. Uran Expendable Trust Fund

Irwin W. Uran has donated funds to the Town for designated uses which are accounted for in an expendable trust fund. The Town continues to expend funds in full compliance with the donor-designated uses.

Note 11. Thomas Balch Library

The County of Loudoun, Virginia, made a deed of gift and dedication in 1994 to the Town of Leesburg, Virginia consisting of trust funds held and the real property referred to as Thomas Balch Library. The Town has complied with all restrictive covenants on the use of the trust fund and structures.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 12. Segment Information - Enterprise Funds

The Town maintains two Enterprise Funds that provide utility services and airport management. Segment information for the year ended June 30, 2002 was as follows:

	Airport Fund	Water and Sewer Fund	Total Enterprise Funds
Operating revenues	\$ 701,854	\$ 7,767,996	\$ 8,469,850
Depreciation expense	478,893	2,637,377	3,116,270
Operating loss	(203,195)	(1,205,279)	(1,408,474)
Net operating transfers in (out)	285,745	(1,633,032)	(1,347,287)
Net income	2,596,250	9,051,639	11,647,889
Acquisition of property, plant and equipment	3,766,103	5,191,579	8,957,682
Total assets	24,834,378	141,107,128	165,941,506
Net working capital	(756,761)	35,843,146	35,086,385
Bonds payable	3,109,023	35,657,067	38,766,090
Total equity	20,244,286	102,365,540	122,609,826

Note 13. Surety Bonds

The Town has the following surety bonds:

Fidelity and Deposit Company – Surety, Paul E. York – Director of Finance	\$ 500,000
The Virginia Municipal Liability Pool - Surety Employee Dishonesty – Blanket Bond	\$ 100,000

Note 14. Post-Employment Health Care Benefits

In addition to providing pension benefits, the Town provides for certain health care insurance benefits for retired public employees. Substantially all of the Town's public employees may become eligible for those benefits if they reach normal retirement age while working for the Town. The cost of retiree health care insurance benefits is recognized as an expenditure as premiums are paid. For 2002, those costs totalled \$31,281 covering 11 employees.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Defined Benefit Pension Plan

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with five years of service (age 60 for participating local law enforcement officers, firefighters and sheriffs) or at age 50 with at least 30 years of service if elected by the employee (age 50 with 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P. O. Box 2500, Richmond, Virginia, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their salary to the VRS. The 5% member contribution has been assumed by the Town. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Town of Leesburg's contribution rate for the fiscal year ended June 30, 2002 was 11.00% of annual covered payroll.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For 2002, the Town of Leesburg's annual pension cost of \$1,338,772 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3.0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

Three-year trend information for the Town is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2000	\$ 1,082,184	100%	\$ -
June 30, 2001	1,150,654	100%	-
June 30, 2002	1,338,772	100%	-

Note 16. Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined together with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. Settled claims exceeded insurance coverage during fiscal year 2001 by approximately \$958,000. Settled claims from these risks did not exceed coverage in fiscal years 2000 and 1999.

The Town also has coverage with the Virginia Municipal Group Self Insurance Association (Association) for workers' compensation. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Town pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the case for both pools, if the event of a loss deficit and depletion of all available excess insurance, the pools may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 16. Risk Management (Continued)

The Town participates in VaCorp, which is a public entity risk pool that provides commercial general liability, property, automobile, and other types of insurance coverage to Virginia localities.

The Town has chosen to partially retain the risk associated with the employees' health and dental insurance plan. Risk is retained up to the limits based on monthly claims paid per employee and a 125% aggregate stop loss for total claims paid during the year. The risk financing is accounted for in the General Fund and Water and Sewer Fund. Premiums are paid for all full-time employees of the Town to a claim administrator which processes all claims.

Liabilities are reported when it is probably that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering recent settlement trends including frequency and amount of pay-outs. The change in the claims liabilities balance during the past two years is as follows:

	2002	2001
Unpaid claims, July 1	\$ 633,345	\$ 995
Incurred claims (including IBNR)	1,959,109	1,737,352
Claim payments	<u>(1,850,682)</u>	<u>(1,105,002)</u>
Unpaid claims, June 30	<u>\$ 741,772</u>	<u>\$ 633,345</u>

Note 17. Sewer Line Reimbursement Commitment

In 1977, the School Board of Loudoun County, Virginia agreed to advance the Town \$166,407 for development of a Town sewer line. The Town agreed to reimburse the School Board the advance and 6% per annum as the Town collects availability fees from permits issued for connection to the sewer line. In no event does the Town have a liability beyond collected availability fees with the agreement for reimbursement terminating 2007. Payments made to the County, including principal and interest, have amounted to \$71,264.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 18. Operating Rental Income Lease

The Town leases various owned airport properties under non-cancelable operating leases. The leases provide for annual rental increases and pass-through of certain maintenance costs. The lease terms expire January 2026 and April 2018.

The following schedule represents minimum rental income under the above leases as of June 30, 2002:

Year Ending June 30,	Rental Income
2003	\$ 240,676
2004	241,169
2005	187,002
2006	169,297
2007	169,831
Thereafter	2,109,408
	<u>\$ 3,117,383</u>

Note 19. Pending GASB Statements

At June 30, 2002, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Town. The statements which might impact the Town are as follows:

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued June 1999, will be effective for the Town for the fiscal year ending June 30, 2003. This Statement imposes new standards for financial reporting. Financial managers will be required to provide a management's discussion and analysis (MD&A) that gives readers an analysis of the Town's overall financial position and results of the previous year's operations. The titles and formats of the financial statements change significantly. Governmental units will continue to provide budgetary information in their reports; however, under this Statement, they will be required to provide the government's *original budget* as well as the final budget and actual results. Management has not yet completed its assessment of this Statement; however, it will have a significant effect on the overall financial presentation.

GASB Statement 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, clarifies certain provisions of GASB 34 for more consistent application and modifies other GASB Statements to meet changing requirements. The provisions of Statement 37 will be implemented simultaneously with Statement 34.

TOWN OF LEESBURG, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 19. Pending GASB Statements (Continued)

GASB Statement 38, *Certain Financial Statement Note Disclosures* modifies, adds, and deletes various note disclosure requirements. The requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt. The provisions of Statement 38 will be effective when the provisions of Statement 34 are implemented.

GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, provides guidance for identifying and reporting component units. The provisions of Statement 39 will be effective for periods beginning after June 15, 2003.

Note 20. Restatement of Beginning Fund Balance Sheet Detail

As a result of the implementation of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the beginning fund balance amounts for the General Fund and Enterprise Funds have been restated from the amounts previously reported due to the change in revenue recognition for nonexchange transactions. Certain Capital Projects Funds, the Enterprise Funds, and the Irwin W. Uran Trust Fund have been restated for the adoption of GASB Statement 31, FASB Statement 34 and other overstatements/understatements requiring the beginning fund balance/retained earnings to be adjusted through the prior years' ending equity balance.

	General Fund	Capital Projects Funds		Enterprise Funds		Expendable Trust Fund
		Highways Fund	Parks and Recreation Fund	Airport Fund	Water and Sewer Fund	Irwin W. Uran
Retained earnings/fund balance, June 30, 2001, as previously reported	\$ 7,882,167	\$ 2,460,555	\$ 887,392	\$ 11,843	\$ 35,522,895	\$ 2,037,821
Effect of change in accounting for non-exchange transactions	116,448	-	-	(21,808)	11,624,063	-
Mark investments to fair market value per GASB 31	92,751	12,894	-	-	242,112	17,191
Adjustment for under-statement of cash	59,888	-	43,648	1,324	34,562	-
Adjustments for differences in accounts receivable	(134,109)	-	-	37,831	202,457	-
Adjustment for underaccrual of accounts payable	(78,016)	-	-	(1,276)	(22,517)	-
Adjustment to fixed assets for amounts under the capitalization policy and under accrual of capitalized interest per FASB 34	-	-	-	51,110	(2,263,547)	-
Adjustment for unrecorded liabilities associated with the Town's self-insurance	(475,000)	-	-	-	(158,345)	-
Fund balance, June 30, 2001, as restated	\$ 7,464,129	\$ 2,473,449	\$ 931,040	\$ 79,024	\$ 45,181,680	\$ 2,055,012

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEESBURG, VIRGINIA
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (Asset)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability (Asset) as a Percentage of Covered Payroll
June 30, 2001	\$ 18,737,873	\$ 18,294,176	\$ (443,697)	102.43%	\$ 10,649,142	(4.17%)
June 30, 2000	16,219,505	15,491,764	(727,741)	104.70%	8,688,840	(8.38%)
June 30, 1999	13,407,896	12,797,255	(610,641)	104.77%	7,230,939	(8.44%)

**COMBINING, INDIVIDUAL FUND AND
ACCOUNT GROUP STATEMENTS AND SCHEDULES**

General Fund

The General Fund is the primary operating fund of the Town and is used to account for the majority of current expenditures of the general government.

TOWN OF LEESBURG, VIRGINIA

Exhibit A-1

**GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2002 and 2001**

	2002	2001
ASSETS		
Cash, cash equivalents, and temporary cash investments	\$ 4,122,782	\$ 7,043,335
Receivables (net of allowance for doubtful accounts):		
Delinquent taxes, including penalties	3,930,730	3,473,172
Utility taxes	177,421	248,057
Accounts	738,055	675,875
Accrued interest	55,677	73,300
Due from other funds	697,736	697,736
Due from other governments	1,075,723	1,061,340
Restricted assets:		
Cash, cash equivalents, and temporary cash investments	4,474,543	4,679,811
Total assets	\$ 15,272,667	\$ 17,952,626
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 754,180	\$ 1,543,072
Accrued liabilities	793,224	822,272
Due to other funds	-	458,146
Customer deposits and contingent charges	4,029,900	4,214,301
Deferred revenues	3,936,400	3,444,706
Compensated absences	6,000	6,000
Total liabilities	9,519,704	10,488,497
Fund balances:		
Reserved for encumbrances	872,828	1,186,888
Reserved for advances to other funds	697,736	697,736
Unreserved, undesignated, as restated	4,182,399	5,579,505
Total fund balances	5,752,963	7,464,129
Total liabilities and fund balances	\$ 15,272,667	\$ 17,952,626

TOWN OF LEESBURG, VIRGINIA

Exhibit A-2

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES- BUDGET AND ACTUAL
Year Ended June 30, 2002

Page 1 of 2

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue from local sources:			
General property taxes			
Real estate taxes			
Current	\$ 5,726,564	\$ 6,066,921	\$ 340,357
Delinquent	-	101,761	101,761
Personal property taxes			
Current	2,052,631	897,249	(1,155,382)
Delinquent	-	20,649	20,649
Public service corporation taxes	198,176	193,645	(4,531)
Penalties and interest	75,000	90,736	15,736
Total general property taxes	8,052,371	7,370,961	(681,410)
Other local taxes:			
Utility taxes	1,700,000	1,818,538	118,538
Daily rental taxes	25,000	22,797	(2,203)
Cable TV franchise taxes	260,000	241,753	(18,247)
Meals taxes	2,125,000	2,049,676	(75,324)
Bank franchise taxes	275,000	299,268	24,268
Telecommunication taxes	100,000	154,352	54,352
Cigarette taxes	575,000	578,836	3,836
Sales and use taxes	3,500,000	2,781,417	(718,583)
Transient occupancy taxes	560,000	411,081	(148,919)
Total other local taxes	9,120,000	8,357,718	(762,282)
Permits, fees and licenses			
Business and occupational licenses	1,850,000	1,785,499	(64,501)
Motor vehicle licenses	600,000	629,897	29,897
Zoning, subdivision and development fees	900,000	412,032	(487,968)
Permits	10,000	8,380	(1,620)
Total permits, fees and licenses	3,360,000	2,835,808	(524,192)
Fines and forfeitures:			
Police forfeiture	2,000	3,715	1,715
Traffic fines	170,000	171,259	1,259
Parking fines	20,000	18,060	(1,940)
Total fines and forfeitures	192,000	193,034	1,034
Use of money and property:			
Interest	200,000	208,909	8,909
Rental - general property	4,000	2,808	(1,192)
Parking meters	30,000	32,108	2,108
Sales of surplus property	20,000	35,902	15,902
Parking facility revenues	126,500	114,723	(11,777)
Total revenues from use of money and property	380,500	394,450	13,950

TOWN OF LEESBURG, VIRGINIA

Exhibit A-2

**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES- BUDGET AND ACTUAL
Year Ended June 30, 2002**

Page 2 of 2

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue from local sources:			
Charges for services:			
Publications	\$ 3,500	\$ 8,158	\$ 4,658
Special trash pickup	-	338	338
Parks and recreation user fees	1,480,400	1,505,338	24,938
Total charges for services	1,483,900	1,513,834	29,934
Miscellaneous revenue	152,940	251,948	99,008
Total revenues from local sources	22,741,711	20,917,753	(1,823,958)
Intergovernmental:			
Revenue from the Commonwealth:			
Non-categorical aid:			
ABC profits	42,000	75,157	33,157
Wine tax distribution	25,000	39,961	14,961
Motor vehicles tax	500	839	339
Rental car tax	115,000	142,787	27,787
Mobile home titling taxes	1,000	1,471	471
Personal property tax relie	-	1,068,966	1,068,966
Other grants	65,920	5,000	(60,920)
Total non-categorical aid	249,420	1,334,181	1,084,761
Categorical aid:			
State fire programs funds	23,000	37,488	14,488
Law enforcement assistance	718,094	655,617	(62,477)
Highway maintenance	1,433,000	1,509,198	76,198
Total categorical aid	2,174,094	2,202,303	28,209
Total revenue from the Commonwealth	2,423,514	3,536,484	1,112,970
Revenue from the federal government			
Categorical aid:			
State resource officer grant	41,550	53,594	12,044
Highway maintenance	-	13,500	13,500
Historic preservation	-	7,000	7,000
Total intergovernmental revenue from the federal government	41,550	74,094	32,544
Total intergovernmental	2,465,064	3,610,578	1,145,514
Total General Fund	25,206,775	24,528,331	(678,444)
Other financing sources:			
Bond and lease proceeds	384,000	565,756	181,756
Operating transfers in	2,217,000	2,217,032	32
Total other financing sources	2,601,000	2,782,788	181,788

**Total General Fund revenue and
other financing sources**

\$ 27,807,775 \$ 27,311,119 \$ (496,656)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH AMENDED BUDGET
Year Ended June 30, 2002

Page 1 of 4

	Amended Budget	Encumbrances	Expenditures	Total Encumbrances and Expenditures	Variance Favorable (Unfavorable)
Legislative:					
Town council:					
Personal service	\$ 61,900	\$ -	\$ 60,095	\$ 60,095	\$ 1,805
Contractual service	15,000	400	13,324	13,724	1,276
Materials and supplies	37,500	-	23,836	23,836	13,664
Total town council	114,400	400	97,255	97,655	16,745
Clerk of council:					
Personal service	101,262	-	103,013	103,013	(1,751)
Contractual service	15,000	-	7,274	7,274	7,726
Materials and supplies	6,985	-	5,213	5,213	1,772
Capital outlays	3,500	-	2,247	2,247	1,253
Total clerk of council	126,747	-	117,747	117,747	9,000
Total legislative	241,147	400	215,002	215,402	25,745
Executive:					
Town manager:					
Personal service	546,275	-	547,970	547,970	(1,695)
Contractual service	384,266	6,921	360,983	367,904	16,362
Materials and supplies	56,200	-	62,544	62,544	(6,344)
Capital outlays	-	-	209	209	(209)
Total town manager	986,741	6,921	971,706	978,627	8,114
Personnel administration:					
Personal service	285,720	-	262,919	262,919	22,801
Contractual service	129,630	-	134,467	134,467	(4,837)
Materials and supplies	33,625	-	33,163	33,163	462
Capital outlays	3,185	-	4,478	4,478	(1,293)
Total personnel administration	452,160	-	435,027	435,027	17,133
Information technology:					
Personal service	306,349	-	319,040	319,040	(12,691)
Contractual service	165,109	6,700	148,409	155,109	10,000
Materials and supplies	41,000	300	39,986	40,286	714
Capital outlays	75,984	750	65,893	66,643	9,341
Total information technology	588,442	7,750	573,328	581,078	7,364
Tree commission:					
Personal service	4,520	-	4,306	4,306	214
Materials and supplies	14,140	-	9,320	9,320	4,820
Total tree commission	18,660	-	13,626	13,626	5,034
Cable TV commission:					
Personal service	4,520	-	3,930	3,930	590
Contractual service	15,000	-	-	-	15,000
Materials and supplies	4,050	-	2,712	2,712	1,338
Total cable TV commission	23,570	-	6,642	6,642	16,928
Economic development:					
Personal service	195,247	-	75,917	75,917	119,330
Contractual service	315,000	111,798	113,487	225,285	89,715
Materials and supplies	36,260	-	20,426	20,426	15,834
Total economic development	546,507	111,798	209,830	321,628	224,879

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH AMENDED BUDGET
Year Ended June 30, 2002

Page 2 of 4

	Amended Budget	Encumbrances	Expenditures	Total Encumbrances and Expenditures	Variance Favorable (Unfavorable)
Executive (continued):					
Environmental advisory committee:					
Personal service	\$ 4,520	\$ -	\$ 3,822	\$ 3,822	\$ 698
Contractual service	1,000	-	-	-	1,000
Materials and supplies	17,206	-	4,976	4,976	12,230
Total environmental advisory committee	22,726	-	8,798	8,798	13,928
Total executive	2,638,806	126,469	2,218,957	2,345,426	293,380
Legal:					
Town attorney:					
Personal service	197,011	-	178,641	178,641	18,370
Contractual service	30,000	-	24,301	24,301	5,699
Materials and supplies	5,965	-	5,917	5,917	48
Total legal	232,976	-	208,859	208,859	24,117
Planning, zoning, and development					
Personal service	1,162,573	-	1,122,265	1,122,265	40,308
Contractual service	25,353	2,201	15,590	17,791	7,562
Materials and supplies	44,222	-	40,985	40,985	3,237
Capital outlays	11,000	2,912	7,026	9,938	1,062
Total planning, zoning, and development	1,243,148	5,113	1,185,866	1,190,979	52,169
Finance:					
Administration:					
Personal service	807,261	-	810,380	810,380	(3,119)
Contractual service	161,765	8,242	165,718	173,960	(12,195)
Materials and supplies	158,809	-	137,541	137,541	21,268
Capital outlays	10,926	-	17,126	17,126	(6,200)
Total administration	1,138,761	8,242	1,130,765	1,139,007	(246)
Budget:					
Personal service	139,709	-	103,463	103,463	36,246
Contractual service	4,750	-	3,293	3,293	1,457
Materials and supplies	3,070	-	328	328	2,742
Capital outlays	795	-	795	795	-
Total budget	148,324	-	107,879	107,879	40,445
Purchasing:					
Personal service	111,370	-	107,137	107,137	4,233
Contractual service	2,500	-	133	133	2,367
Materials and supplies	5,940	-	5,531	5,531	409
Capital outlays	2,800	-	2,425	2,425	375
Total purchasing	122,610	-	115,226	115,226	7,384
Total finance	1,409,695	8,242	1,353,870	1,362,112	47,583
Police:					
Personal service	4,632,752	-	4,623,579	4,623,579	9,173
Contractual service	277,360	17,168	222,498	239,666	37,694
Materials and supplies	380,570	3,358	333,701	337,059	43,511
Capital outlays	372,293	10,476	354,894	365,370	6,923
Total police	5,662,975	31,002	5,534,672	5,565,674	97,301
Parks and recreation:					
Personal service	2,114,651	-	2,229,602	2,229,602	(114,951)
Contractual service	698,700	61,489	519,787	581,276	117,424

Materials and supplies	461,271	5,676	439,880	445,556	15,715
Rent	80,340	-	96,725	96,725	(16,385)
Capital outlays	122,498	25,421	87,977	113,398	9,100
Total parks and recreation	3,477,460	92,586	3,373,971	3,466,557	10,903

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH AMENDED BUDGET
Year Ended June 30, 2002**

Page 3 of 4

	Amended Budget	Encumbrances	Expenditures	Total Encumbrances and Expenditures	Variance Favorable (Unfavorable)
Balch library:					
Personal service	\$ 241,907	\$ -	\$ 242,221	\$ 242,221	\$ (314)
Contractual service	42,530	1,391	36,312	37,703	4,827
Materials and supplies	43,810	-	37,460	37,460	6,350
Capital outlays	7,000	-	7,153	7,153	(153)
Total Balch library	335,247	1,391	323,146	324,537	10,710
Engineering and public works:					
Engineering:					
Personal service	1,244,177	-	1,158,550	1,158,550	85,627
Contractual service	280,241	118,119	155,593	273,712	6,529
Materials and supplies	27,450	-	30,320	30,320	(2,870)
Capital outlays	15,200	-	16,114	16,114	(914)
Total engineering	1,567,068	118,119	1,360,577	1,478,696	88,372
Administration:					
Personal service	382,216	-	375,547	375,547	6,669
Contractual service	245,175	173,562	70,162	243,724	1,451
Materials and supplies	9,660	-	11,399	11,399	(1,739)
Capital outlays	2,500	-	2,798	2,798	(298)
Total administration	639,551	173,562	459,906	633,468	6,083
Street maintenance:					
Personal service	1,316,217	-	1,252,403	1,252,403	63,814
Contractual service	1,001,916	138,641	851,970	990,611	11,305
Materials and supplies	138,800	-	118,098	118,098	20,702
Capital outlays	336,881	-	319,927	319,927	16,954
Total street maintenance	2,793,814	138,641	2,542,398	2,681,039	112,775
Storm drainage:					
Contractual service	24,400	23,421	1,186	24,607	(207)
Materials and supplies	-	-	4,441	4,441	(4,441)
Total storm drainage	24,400	23,421	5,627	29,048	(4,648)
Street lights:					
Electricity	230,000	-	246,474	246,474	(16,474)
Capital outlays	67,514	140,355	13,741	154,096	(86,582)
Total street lights	297,514	140,355	260,215	400,570	(103,056)
Parking meters and lots:					
Personal service	39,776	-	38,995	38,995	781
Contractual service	113,450	4,000	78,255	82,255	31,195
Materials and supplies	8,000	-	8,159	8,159	(159)
Capital outlays	5,000	-	-	-	5,000
Total parking meters and lots	166,226	4,000	125,409	129,409	36,817
Refuse collection:					
Contractual service	1,482,082	-	1,497,030	1,497,030	(14,948)
Materials and supplies	11,000	-	45	45	10,955
Total refuse collection	1,493,082	-	1,497,075	1,497,075	(3,993)

TOWN OF LEESBURG, VIRGINIA

Exhibit A-3

GENERAL FUND
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES
COMPARED WITH AMENDED BUDGET
Year Ended June 30, 2002

Page 4 of 4

	Amended Budget	Encumbrances	Expenditures	Total Encumbrances and Expenditures	Variance Favorable (Unfavorable)
Engineering and public works (continued):					
Maintenance of buildings and grounds:					
Personal service	\$ 167,226	\$ -	\$ 164,772	\$ 164,772	\$ 2,454
Contractual service	143,680	8,638	125,179	133,817	9,863
Materials and supplies	128,000	-	100,323	100,323	27,677
Rent	24,800	-	4,095	4,095	20,705
Capital outlays	6,000	-	4,780	4,780	1,220
Total maintenance of buildings and groun	469,706	8,638	399,149	407,787	61,919
Equipment maintenance:					
Personal service	320,921	-	319,331	319,331	1,590
Contractual service	24,000	-	23,103	23,103	897
Materials and supplies	282,100	-	292,162	292,162	(10,062)
Capital outlays	10,000	-	12,232	12,232	(2,232)
Total equipment maintenance	637,021	-	646,828	646,828	(9,807)
Total engineering and public works	8,088,382	606,736	7,297,184	7,903,920	184,462
Nondepartmental:					
Other charges	1,162,691	889	589,588	590,477	572,214
Total General Fund	24,492,527	872,828	22,301,115	23,173,943	1,318,584
Other financing uses:					
Operating transfers out	7,219,344	-	6,721,170	6,721,170	498,174
Total General Fund expenditures, encumbrances, and other financing uses	\$ 31,711,871	\$ 872,828	\$ 29,022,285	\$ 29,895,113	\$ 1,816,758

Capital Projects Funds

The Capital Projects Funds are used to account for the purchase and/or construction of major capital facilities including buildings, land, major equipment, and other long-lived improvements for the general government.

TOWN OF LEESBURG, VIRGINIA

Exhibit B-1

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2002

	Highways	Storm Drains	Parks and Recreation	Buildings	Totals
ASSETS					
Cash, cash equivalents, and temporary cash investments	\$ 1,579,429	\$ 1,953,995	\$ 4,673,171	\$ 5,639,431	\$ 13,846,026
Accounts receivable	1,270,347	-	-	386,882	1,657,229
Interest receivable	2,521	8,402	-	-	10,923
Due from other governments	-	-	153,460	-	153,460
Restricted assets:					
Cash, cash equivalents, and temporary cash investments	-	-	-	285,000	285,000
Total assets	\$ 2,852,297	\$ 1,962,397	\$ 4,826,631	\$ 6,311,313	\$ 15,952,638
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 518,607	\$ 13,418	\$ 491,726	\$ 575,892	\$ 1,599,643
Retainage payable	178,100	-	95,180	284,680	557,960
Total liabilities	696,707	13,418	586,906	860,572	2,157,603
Fund balances:					
Unreserved, designated for future expenditures	2,155,590	1,948,979	4,239,725	5,450,741	13,795,035
Total fund balances	2,155,590	1,948,979	4,239,725	5,450,741	13,795,035
Total liabilities and fund balances	\$ 2,852,297	\$ 1,962,397	\$ 4,826,631	\$ 6,311,313	\$ 15,952,638

TOWN OF LEESBURG, VIRGINIA

Exhibit B-2

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2002

	Highways	Storm Drains	Parks and Recreation	Buildings	Totals
Revenues:					
Revenue from local sources:					
Other local taxes	\$ 1,051,931	\$ -	\$ -	\$ -	\$ 1,051,931
Revenues from use of money and property	62,782	70,581	80,048	202,363	415,774
Miscellaneous	246,000	-	30,000	-	276,000
Total revenue from local sources:	1,360,713	70,581	110,048	202,363	1,743,705
Intergovernmental:					
Revenue from the Commonwealth	2,462,328	-	153,460	-	2,615,788
Revenue from the federal government	-	-	40,678	102,741	143,419
Total intergovernmental	2,462,328	-	194,138	102,741	2,759,207
Total revenues	3,823,041	70,581	304,186	305,104	4,502,912
Expenditures:					
Capital outlays	4,339,690	391,599	1,509,242	5,196,115	11,436,646
Total expenditures	4,339,690	391,599	1,509,242	5,196,115	11,436,646
Revenues under expenditure:	(516,649)	(321,018)	(1,205,056)	(4,891,011)	(6,933,734)
Other financing sources (uses):					
Bond proceeds	-	-	4,173,744	-	4,173,744
Operating transfers in	661,500	797,114	339,997	634,806	2,433,417
Operating transfers out	(462,710)	(21,206)	-	(140,525)	(624,441)
Total other financing sources, net	198,790	775,908	4,513,741	494,281	5,982,720
Revenues and other financing sources over (under) expenditures and other financing uses	(317,859)	454,890	3,308,685	(4,396,730)	(951,014)
Fund balances, beginning of year, as restated	2,473,449	1,494,089	931,040	9,847,471	14,746,049
Fund balances, end of year	\$ 2,155,590	\$ 1,948,979	\$ 4,239,725	\$ 5,450,741	\$ 13,795,035

Enterprise Funds

The Enterprise Funds are used to account for business type activities where the intent is to recover, in whole or in part, the cost of providing goods and/or services to beneficiaries.

TOWN OF LEESBURG, VIRGINIA

Exhibit C-1

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 2002

	Airport	Water and Sewer	Totals
ASSETS			
Cash, cash equivalents, and temporary cash investme \$	73,428	\$ 38,516,872	\$ 38,590,300
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	65,314	1,499,750	1,565,064
Accrued interest	-	378,446	378,446
Due from other governments	755,347	-	755,347
Restricted assets:			
Cash, cash equivalents, and temporary cash investn	-	1,643,386	1,643,386
Deferred charges	-	131,190	131,190
Fixed assets (net of accumulated depreciation)	23,940,289	98,937,484	122,877,773
Total assets	\$ 24,834,378	\$ 141,107,128	\$ 165,941,506
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable	\$ 448,363	\$ 445,250	\$ 893,613
Accrued liabilities	4,042	223,653	227,695
Interest payable	54,419	799,295	853,714
Compensated absences	6,191	240,104	246,295
Retainage payable	249,303	478,659	727,962
Due to other funds	697,736	-	697,736
Current maturities of long-term debt	169,781	1,467,401	1,637,182
Customer deposits and contingent charges	21,015	897,560	918,575
Long-term debt, bonds payable	2,939,242	34,189,666	37,128,908
Total liabilities	4,590,092	38,741,588	43,331,680
Equity:			
Contributed capital	17,569,012	48,132,221	65,701,233
Retained earnings	2,675,274	54,233,319	56,908,593
Total equity	20,244,286	102,365,540	122,609,826
Total liabilities and equity	\$ 24,834,378	\$ 141,107,128	\$ 165,941,506

TOWN OF LEESBURG, VIRGINIA

Exhibit C-2

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Year Ended June 30, 2002

	Airport	Water and Sewer	Totals
Operating Revenues:			
Charges for services	\$ 701,854	\$ 7,553,799	\$ 8,255,653
Other	-	214,197	214,197
Total operating revenues	701,854	7,767,996	8,469,850
Operating Expenses:			
Personal service	251,944	3,915,648	4,167,592
Contractual services	97,991	1,021,805	1,119,796
Depreciation	478,893	2,637,377	3,116,270
Other charges	76,221	1,398,445	1,474,666
Total operating expenses	905,049	8,973,275	9,878,324
Operating loss	(203,195)	(1,205,279)	(1,408,474)
Nonoperating Revenue (Expenses):			
Grant revenue	2,595,903	376,489	2,972,392
Installation and connection charges	-	10,853,399	10,853,399
Interest on investments	57,357	1,298,959	1,356,316
Developer donated assets	-	1,105,781	1,105,781
Interest and fiscal charges on bonds/notes	(133,305)	(1,744,678)	(1,877,983)
Loss on disposal of assets	(6,255)	-	(6,255)
Total nonoperating revenue	2,513,700	11,889,950	14,403,650
Income before operating transfers	2,310,505	10,684,671	12,995,176
Operating Transfers:			
Operating transfers in	435,745	-	435,745
Operating transfers out	(150,000)	(1,633,032)	(1,783,032)
Total operating transfers, net	285,745	(1,633,032)	(1,347,287)
Net income	2,596,250	9,051,639	11,647,889
Retained Earnings, beginning of year, as restated	79,024	45,181,680	45,260,704
Retained Earnings, end of year	<u>\$ 2,675,274</u>	<u>\$ 54,233,319</u>	<u>\$ 56,908,593</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit C-3

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2002

	Airport	Water and Sewer	Totals
Cash Flows From Operating Activities			
Operating loss	\$ (203,195)	\$ (1,205,279)	\$ (1,408,474)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	478,893	2,637,377	3,116,270
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(10,540)	(79,094)	(89,634)
Due from other governments	(755,347)	-	(755,347)
Due from other funds	-	458,146	458,146
Increase (decrease) in:			
Accounts payable	447,453	(1,267,020)	(819,567)
Accrued liabilities	20	(3,591)	(3,571)
Compensated absences	3,983	73,029	77,012
Deposits and contingent charges	345	68,146	68,491
Net cash provided by (used in) operating activities	(38,388)	681,714	643,326
Cash Flows From Non-Capital Financing Activities			
Operating transfers out	(150,000)	(1,633,032)	(1,783,032)
Operating transfers in	435,745	-	435,745
Net cash provided by (used in) non-capital financing activities	285,745	(1,633,032)	(1,347,287)
Cash Flows From Capital and Related Financing Activities			
Connection availability fees	-	10,853,399	10,853,399
Grant revenue	2,595,903	376,489	2,972,392
Acquisition and construction of capital assets	(3,766,103)	(5,191,579)	(8,957,682)
Interest	(160,839)	(1,596,047)	(1,756,886)
Proceeds from debt issuance	-	962,525	962,525
Principal paid on bonds	(169,896)	(1,332,710)	(1,502,606)
Net cash provided by (used in) capital and related financing activities	(1,500,935)	4,072,077	2,571,142
Cash Flows From Investing Activities			
Interest on investments	57,357	1,181,495	1,238,852
Net increase (decrease) in cash and cash equivalents	(1,196,221)	4,302,254	3,106,033
Cash and Cash Equivalents			
Beginning	1,269,649	35,858,004	37,127,653
Ending	\$ 73,428	\$ 40,160,258	\$ 40,233,686
Supplemental Disclosure of Noncash Capital and Related Financing Activities			
Developer donated capital improvements:	\$ -	\$ 1,105,781	\$ 1,105,781
Cash payments for interest, net of capitalized interest of \$65,101 and \$172,124 in the Airport and Water and			

Sewer Funds, respectively

\$ 160,839 \$ 1,596,047 \$ 1,756,886

TOWN OF LEESBURG, VIRGINIA

Exhibit C-4

**AIRPORT ENTERPRISE FUND
COMPARATIVE BALANCE SHEET
June 30, 2002 and 2001**

	2002	2001
ASSETS		
Cash, cash equivalents, and temporary cash investments	\$ 73,428	\$ 1,269,649
Receivables (net, where applicable, of allowance for uncollectibles):		
Accounts	65,314	54,774
Due from other governments	755,347	-
Fixed assets (net of accumulated depreciation)	23,940,289	20,659,334
Total assets	\$ 24,834,378	\$ 21,983,757
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 448,363	\$ 226,451
Accrued liabilities	4,042	4,022
Interest payable	54,419	81,953
Compensated absences	6,191	2,208
Retainage payable	249,303	23,762
Due to other funds	697,736	697,736
Capital lease obligation	-	16,975
Current maturities of long-term debt	169,781	152,922
Customer deposits and contingent charges	21,015	20,670
Long-term debt, bonds payable	2,939,242	3,109,022
Total liabilities	4,590,092	4,335,721
Equity:		
Contributed capital	17,569,012	17,569,012
Retained earnings	2,675,274	79,024
Total equity	20,244,286	17,648,036
Total liabilities and equity	\$ 24,834,378	\$ 21,983,757

TOWN OF LEESBURG, VIRGINIA

Exhibit C-5

**AIRPORT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Years Ended June 30, 2002 and 2001**

	2002	2001
Operating Revenues:		
Charges for services	\$ 701,854	\$ 685,520
Other	-	2,112
Total operating revenues	701,854	687,632
Operating Expenses:		
Personal service	251,944	194,732
Contractual services	97,991	79,411
Depreciation	478,893	363,013
Other charges	76,221	109,508
Total operating expenses	905,049	746,664
Operating loss	(203,195)	(59,032)
Nonoperating Revenues (Expenses):		
Grant revenue	2,595,903	297,444
Interest on investments	57,357	101,829
Interest and fiscal charges on bonds	(133,305)	(132,689)
Loss on disposal of assets	(6,255)	-
Total nonoperating revenues	2,513,700	266,584
Income before operating transfers	2,310,505	207,552
Operating Transfers:		
Operating transfers in	435,745	102,675
Operating transfers out	(150,000)	(128,000)
Total operating transfers, net	285,745	(25,325)
Net income	2,596,250	182,227
Retained Earnings (Deficit), beginning of year, as restated	79,024	(103,203)
Retained Earnings, end of year	\$ 2,675,274	\$ 79,024

TOWN OF LEESBURG, VIRGINIA

Exhibit C-6

AIRPORT ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended June 30, 2002 and 2001

	2002	2001
Cash Flows From Operating Activities		
Operating loss	\$ (203,195)	\$ (59,032)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	478,893	363,013
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	(10,540)	(42,098)
Due from other governments	(755,347)	53,625
Increase (decrease) in:		
Accounts payable	447,453	173,965
Accrued liabilities	20	1,312
Compensated absences	3,983	(3,204)
Deposits and contingent charges	345	(190)
Net cash provided by (used in) operating activities:	(38,388)	487,391
Cash Flows From Non-Capital Financing Activities		
Operating transfers out	(150,000)	(128,000)
Operating transfers in	435,745	102,675
Net cash provided by (used in) non-capital financing activities:	285,745	(25,325)
Cash Flows From Capital and Related Financing Activities		
Grant revenue	2,595,903	297,444
Acquisition and construction of capital assets	(3,766,103)	(967,905)
Interest	(160,839)	(74,703)
Proceeds from debt issuance	-	1,556,315
Principal paid on bonds	(169,896)	(227,354)
Net cash provided by (used in) capital and related financing activities:	(1,500,935)	583,797
Cash Flows From Investing Activities		
Interest on investments	57,357	101,829
Net increase (decrease) in cash and cash equivalents	(1,196,221)	1,147,692
Cash and Cash Equivalents		
Beginning	1,269,649	121,957
Ending	<u>\$ 73,428</u>	<u>\$ 1,269,649</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest, net of capitalized interest of \$65,101 in 2002 and \$60,445 in 2001	<u>\$ 160,839</u>	<u>\$ 74,703</u>

TOWN OF LEESBURG, VIRGINIA

Exhibit C-7

WATER AND SEWER ENTERPRISE FUND

COMPARATIVE BALANCE SHEET

June 30, 2002 and 2001

	2002	2001
ASSETS		
Cash, cash equivalents, and temporary cash investments	\$ 38,516,872	\$ 34,271,345
Receivables (net, of allowance for uncollectibles):		
Accounts	1,499,750	1,420,656
Accrued interest	378,446	260,982
Due from other funds	-	458,146
Restricted assets:		
Cash, cash equivalents, and temporary cash investments	1,643,386	1,586,659
Deferred charges	131,190	147,969
Fixed assets (net of accumulated depreciation)	98,937,484	95,277,501
Total assets	\$ 141,107,128	\$ 133,423,258
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable	\$ 445,250	\$ 1,241,141
Accrued liabilities	223,653	227,244
Interest payable	799,295	797,160
Compensated absences	240,104	167,075
Retainage payable	478,659	949,788
Current maturities of long-term debt	1,467,401	1,130,192
Customer deposits and contingent charges	897,560	829,414
Long-term debt, bonds payable	34,189,666	34,767,343
Total liabilities	38,741,588	40,109,357
Equity:		
Contributed capital	48,132,221	48,132,221
Retained earnings	54,233,319	45,181,680
Total equity	102,365,540	93,313,901
Total liabilities and equity	\$ 141,107,128	\$ 133,423,258

TOWN OF LEESBURG, VIRGINIA

Exhibit C-8

**WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
Years Ended June 30, 2002 and 2001**

	2002	2001
Operating Revenues:		
Charges for services	\$ 7,553,799	\$ 6,977,365
Other	214,197	86,223
Total operating revenues	7,767,996	7,063,588
Operating Expenses:		
Personal service	3,915,648	3,302,033
Contractual services	1,021,805	306,954
Depreciation	2,637,377	2,088,346
Other charges	1,398,445	1,389,891
Total operating expenses	8,973,275	7,087,224
Operating loss	(1,205,279)	(23,636)
Nonoperating Revenues (Expenses):		
Insurance bonding settlement	-	636,357
Grant revenue	376,489	2,818,832
Installation and connection charges	10,853,399	13,165,688
Interest on Investments	1,298,959	2,051,752
Developer donated assets	1,105,781	1,010,915
Interest and fiscal charges on bonds	(1,744,678)	(1,596,127)
Loss on disposal of assets	-	(2,263,547)
Total nonoperating revenues	11,889,950	15,823,870
Income before operating transfers	10,684,671	15,800,234
Operating transfers out	(1,633,032)	(1,420,710)
Net income	9,051,639	14,379,524
Retained Earnings, beginning of year, as restated	45,181,680	30,802,156
Retained Earnings, end of year	\$ 54,233,319	\$ 45,181,680

TOWN OF LEESBURG, VIRGINIA

Exhibit C-9

**WATER AND SEWER ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended June 30, 2002 and 2001**

	2002	2001
Cash Flows From Operating Activities		
Operating loss	\$ (1,205,279)	\$ (23,636)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	2,637,377	2,088,346
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivables	(79,094)	(311,795)
Due from other funds	458,146	(458,146)
Increase (decrease) in:		
Accounts payable	(1,267,020)	737,427
Accrued liabilities	(3,591)	182,656
Compensated absences	73,029	49,798
Deposits and contingent charges	68,146	56,760
Net cash provided by operating activities	681,714	2,321,410
Cash Flows From Non-Capital Financing Activities		
Operating transfers out	(1,633,032)	(1,420,710)
Net cash used in non-capital financing activities	(1,633,032)	(1,420,710)
Cash Flows From Capital and Related Financing Activities		
Insurance bonding settlement	-	636,357
Connection availability fees	10,853,399	13,165,688
Grant revenue	376,489	2,818,832
Acquisition and construction of capital assets	(5,191,579)	(17,727,832)
Interest	(1,596,047)	(1,411,289)
Proceeds from debt issuance	962,525	7,764,887
Principal paid on bonds	(1,332,710)	(944,591)
Net cash provided by capital and related financing activities	4,072,077	4,302,052
Cash Flows From Investing Activities		
Interest on investments	1,181,495	2,182,165
Net increase in cash and cash equivalents	4,302,254	7,384,917
Cash and Cash Equivalents:		
Beginning	35,858,004	28,473,087
Ending	\$ 40,160,258	\$ 35,858,004
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Developer donated capital improvements	\$ 1,105,781	\$ 1,010,915
Cash payments for interest, net of capitalized interest, of \$172,124 in 2002 and \$183,386 in 2001	\$ 1,596,047	\$ 1,411,289

Trust Funds

Trust Funds are used to account for the assets received and distributed by the Town acting in the capacity of a trustee for individual, private organizations, other governments, and or other funds.

TOWN OF LEESBURG, VIRGINIA

Exhibit D-1

TRUST FUNDS
COMBINING BALANCE SHEET
June 30, 2002

	Expendable Trusts		
	Balch Library	Irwin W. Uran	Totals
ASSETS			
Cash, cash equivalents, and temporary cash investments	\$ 46,360	\$ 1,952,154	\$ 1,998,514
Accrued interest	-	5,881	5,881
Total assets	\$ 46,360	\$ 1,958,035	\$ 2,004,395
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ -	\$ 18,587	\$ 18,587
Total liabilities	-	18,587	18,587
Fund Balances			
Unreserved, designated for future expenditures	46,360	1,939,448	1,985,808
Total fund balances	46,360	1,939,448	1,985,808
Total liabilities and fund balances:	\$ 46,360	\$ 1,958,035	\$ 2,004,395

TOWN OF LEESBURG, VIRGINIA

Exhibit D-2

EXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2002

	Balch Library	Irwin W. Uran	Totals
Revenues:			
Revenues from use of money and property	\$ 6,766	\$ 65,026	\$ 71,792
Donations	-	300,000	300,000
Total revenues	<u>6,766</u>	<u>365,026</u>	<u>371,792</u>
Expenditures:			
Contractual services	-	11,308	11,308
Contributions	-	1,000	1,000
Capital outlays	-	34,282	34,282
Total expenditures	<u>-</u>	<u>46,590</u>	<u>46,590</u>
Revenues over expenditures	<u>6,766</u>	<u>318,436</u>	<u>325,202</u>
Other Financing Uses:			
Operating transfers out	-	(434,000)	(434,000)
Total other financing uses	<u>-</u>	<u>(434,000)</u>	<u>(434,000)</u>
Revenues over (under) expenditure: and other financing uses	<u>6,766</u>	<u>(115,564)</u>	<u>(108,798)</u>
Fund balances, beginning of year, as restated	<u>39,594</u>	<u>2,055,012</u>	<u>2,094,606</u>
Fund balances, end of year	<u>\$ 46,360</u>	<u>\$ 1,939,448</u>	<u>\$ 1,985,808</u>

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for all fixed assets not used in proprietary activities.

TOWN OF LEESBURG, VIRGINIA

Exhibit E-1

COMPARATIVE SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE
June 30, 2002 and 2001

	2002	2001
General Fixed Assets:		
Land	\$ 6,330,354	\$ 6,330,354
Buildings	29,956,193	29,956,193
Improvements	5,253,052	1,334,541
Equipment	3,931,933	3,545,777
Construction in progress	6,409,943	3,677,418
Total general fixed assets	\$ 51,881,475	\$ 44,844,283
Investment in General Fixed Assets by Source:		
General obligation bonds	\$ 31,343,589	\$ 31,343,589
State and Federal grants	681,565	681,565
Contributions	4,351,196	4,351,196
General fund revenues	15,505,125	8,467,933
Total investment in general fixed assets by source	\$ 51,881,475	\$ 44,844,283

TOWN OF LEESBURG, VIRGINIA

Exhibit E-2

**SCHEDULE OF GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
June 30, 2002**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Equipment	Construction in Progress	Totals
General Government:						
Legislative	\$ -	\$ -	\$ -	\$ 6,104	\$ -	\$ 6,104
Executive	-	-	-	36,378	-	36,378
Finance	-	-	-	149,616	-	149,616
Planning, zoning and development	-	-	-	34,754	-	34,754
General government buildings	196,504	13,628,889	-	-	-	13,825,393
Total general government	196,504	13,628,889	-	226,852	-	14,052,245
Public Safety:						
Police	911,873	6,250,388	-	1,242,559	-	8,404,820
Public Works and Engineering	890	2,493,099	-	1,969,341	-	4,463,330
Parks and Recreation	4,613,138	7,104,777	5,193,694	472,041	3,948,315	21,331,965
High School Site	607,949	-	-	-	-	607,949
Balch Library	-	479,040	59,358	21,140	2,461,628	3,021,166
Total general fixed assets	\$ 6,330,354	\$ 29,956,193	\$ 5,253,052	\$ 3,931,933	\$ 6,409,943	\$ 51,881,475

TOWN OF LEESBURG, VIRGINIA

Exhibit E-3

**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
Year Ended June 30, 2002**

Function and Activity	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
General government:				
Legislative	\$ 6,104	\$ -	\$ -	\$ 6,104
Executive	14,654	21,724	-	36,378
Finance	139,616	10,000	-	149,616
Planning, zoning and development	34,754	-	-	34,754
General government buildings	13,194,761	630,632	-	13,825,393
Total general government	13,389,889	662,356	-	14,052,245
Public Safety:				
Police	8,298,163	126,957	20,300	8,404,820
Engineering and Public Works	4,269,225	288,584	94,479	4,463,330
Parks and Recreation	15,257,891	6,074,074	-	21,331,965
High School Site	607,949	-	-	607,949
Balch Library	3,021,166	-	-	3,021,166
Total general fixed assets	\$ 44,844,283	\$ 7,151,971	\$ 114,779	\$ 51,881,475

TOWN OF LEESBURG, VIRGINIA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2002

Exhibit F-1

Assessed value of real property		<u><u>\$ 3,172,644,974</u></u>
Debt limit, 10 percent of assessed value		317,264,497
Amount of debt applicable to debt limit:		
Total net general bonded debt	\$ 43,962,288	
Total debt payable from enterprise fund	<u>6,813,417</u>	
Total amount of debt applicable to debt limitation		<u><u>50,775,705</u></u>
Legal debt margin		<u><u>\$ 266,488,792</u></u>

Note: Section 15.1-176 of 1950 *Code of Virginia*, as amended, limits to 10% of the assessed valuation of the real estate subject to taxation as the amount of debt which can be issued by the Town. Debt includes any bonds or other interest bearing obligations including existing indebtedness. Excluded from debt margin calculation are bonds payable from Enterprise Funds issued under Article VII Section 10(a)(2) of the Constitution of Virginia (formerly Clause (B) of Section 127 of the Constitution of Virginia). This exclusion applies to the 1972, 1992, 1997 and 1999 bond obligations.

Statistical Section

The Statistical Section is unaudited and is not covered in the auditors' opinion.

TOWN OF LEESBURG, VIRGINIA

**GENERAL FUND EXPENDITURES/ENCUMBRANCES AND OTHER USES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Legislative	Executive	Legal	Finance	Police	Public Works
1993	\$ 113,165	\$ 328,890	\$ 76,639	\$ 516,399	\$ 1,647,323	\$ 3,528,626
1994	125,636	488,520	79,923	574,146	1,888,284	3,261,451
1995	114,624	658,369	282,669	596,423	2,190,350	3,966,226
1996	122,214	690,955	113,577	611,683	2,436,787	4,315,976
1997	155,774	774,422	107,913	758,488	2,762,700	4,521,562
1998	159,559	867,431	156,104	724,237	3,162,939	4,850,900
1999	167,398	1,040,358	233,551	756,060	3,410,797	5,621,826
2000	149,648	1,549,784	225,281	933,181	4,369,798	6,186,509
2001	173,991	2,410,790	180,051	1,302,083	5,315,388	6,433,414
2002	215,402	2,345,426	208,859	1,362,112	5,565,674	7,903,920

Table 1

Parks and Recreation	Balch Library	Planning and Zoning	Non- Departmental	Operating Transfers	Totals
\$ 1,078,020	\$ -	\$ 543,300	\$ 313,892	\$ 1,647,907	\$ 9,794,161
1,160,920	-	575,626	262,168	1,857,266	10,273,940
1,640,261	132,291	628,132	316,274	2,250,395	12,776,014
1,522,905	160,430	715,833	300,828	2,767,595	13,758,783
1,607,427	171,853	684,527	290,887	3,587,057	15,422,610
1,738,889	187,063	813,993	304,710	3,229,061	16,194,886
2,091,713	184,599	846,028	391,568	9,801,190	24,545,088
2,605,522	199,967	948,233	438,351	3,782,888	21,389,162
3,262,640	283,357	1,037,358	2,008,279	4,394,970	26,802,321
3,466,557	324,537	1,190,979	590,477	6,721,170	29,895,113

TOWN OF LEESBURG, VIRGINIA

**GENERAL FUND REVENUES AND OTHER SOURCES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Taxes	Licenses, Permits and Fees	Fines and Forfeitures	Use of Money and Property
1993	\$ 6,329,798	\$ 1,316,094	\$ 113,183	\$ 137,996
1994	6,432,216	1,664,424	128,506	160,441
1995	7,485,767	1,832,543	137,582	193,840
1996	8,056,282	1,889,174	110,217	283,798
1997	9,464,272	1,829,760	72,379	668,371
1998	10,537,534	2,081,979	152,079	187,734
1999	11,805,000	2,654,478	177,640	401,312
2000	13,294,999	2,923,116	172,649	391,541
2001	15,107,243	3,577,845	171,232	505,411
2002	15,728,679	2,835,808	193,034	394,450

Table 2

Charges for Services	Miscellaneous	Inter- governmental	Transfers from Other Funds and Other Sources	Totals
\$ 634,490	\$ 129,532	\$ 939,461	\$ 627,000	\$ 10,227,554
659,677	95,036	1,049,676	698,496	10,888,472
831,632	69,154	1,175,872	785,000	12,511,390
805,580	112,523	1,243,298	1,211,750	13,712,622
834,442	60,108	1,409,113	1,420,000	15,758,445
1,012,524	209,463	1,963,994	1,426,000	17,571,307
1,163,998	187,334	1,957,235	8,320,541	26,667,538
1,348,693	86,601	2,147,224	1,359,550	21,724,373
1,411,357	193,618	2,463,425	2,110,120	25,540,251
1,513,834	251,948	3,610,578	2,782,788	27,311,119

TOWN OF LEESBURG, VIRGINIA

**GENERAL FUND TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Property Taxes	Utility Taxes	Cable TV Franchise	Sales Taxes	Bank Franchise	Cigarette Tax
1993	\$3,618,576	\$ 707,151	\$94,486	\$ 821,394	\$67,572	\$ 284,640
1994	3,355,664	759,343	99,836	985,019	113,406	316,886
1995	4,021,483	816,522	148,543	1,124,860	113,606	335,354
1996	4,132,899	877,400	174,563	1,140,873	118,849	333,188
1997	4,669,585	1,293,492	200,988	1,344,206	144,585	402,547
1998	5,225,509	1,418,015	230,792	1,507,739	153,219	493,349
1999	5,516,057	1,436,566	256,652	2,101,029	171,445	507,213
2000	6,251,410	1,400,871	259,724	2,412,330	248,959	489,574
2001	7,192,395	1,665,134	184,738	2,871,598	239,417	555,486
2002	7,370,961	1,818,538	241,753	2,781,417	299,268	578,836

Table 2a

Meals Tax	Transient Occupancy	Daily Rental	Telecommunications Taxes	Totals
\$ 590,165	\$131,267	\$ 14,547	\$ -	\$ 6,329,798
651,490	137,866	12,706	-	6,432,216
757,560	150,598	17,241	-	7,485,767
1,089,841	170,835	17,834	-	8,056,282
1,143,867	246,658	18,344	-	9,464,272
1,235,103	256,174	17,634	-	10,537,534
1,412,488	329,495	18,396	55,659	11,805,000
1,721,151	381,207	22,112	107,661	13,294,999
1,847,475	441,303	22,243	87,454	15,107,243
2,049,676	411,081	22,797	154,352	15,728,679

TOWN OF LEESBURG, VIRGINIA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections
1992	\$ 4,785,252	\$ 4,269,344	89.22%	\$ 250,405
1993	3,485,497	3,301,227	94.71%	117,895
1994	3,349,284	3,120,663	93.17%	137,305
1995	3,824,745	3,681,547	96.26%	168,461
1996	4,158,355	3,943,430	94.83%	142,886
1997	4,471,824	4,312,170	96.43%	213,072
1998	4,815,133	4,774,333	99.15%	176,668
1999	5,501,811	5,325,547	96.80%	155,333
2000	6,120,233	6,070,831	99.19%	125,659
2001	7,170,295	6,998,162	97.60%	129,860
2002	8,418,297	8,226,781	97.73%	122,410

Note: Total tax levy includes revenue from the Commonwealth for personal property tax reimbursements under the Personal Property Tax Relief Act of 1998.

Current year collections include revenue received from the Commonwealth of Virginia for the Personal Property Tax Relief.

Table 3

Total Tax Collections	Total Collection as Percent of Current Levy	Outstanding Delinquent Taxes	Percent of Current Levy Delinquent
\$4,519,749	94.45%	\$ 674,409	14.09%
3,419,122	98.10%	752,131	21.58%
3,257,968	97.27%	679,149	20.28%
3,850,008	100.66%	646,766	16.91%
4,086,316	98.27%	701,657	16.87%
4,525,242	101.19%	668,284	14.94%
4,951,001	102.82%	525,113	10.91%
5,480,880	99.62%	478,360	8.69%
6,196,490	101.25%	522,822	8.54%
7,128,022	99.41%	565,984	7.89%
8,349,191	99.18%	568,659	6.76%

Table 4

TOWN OF LEESBURG, VIRGINIA

**ASSESSED AND ESTIMATED ACTUAL VALUE
OF PROPERTY (1)
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Real Estate		Personal Property		Total Assessed Value	Total Actual Value	Percent of Assessed To Actual
	Assessed Value	Actual Value	Assessed Value	Actual Value			
1993	\$ 1,341,316,363	\$1,341,316,363	\$ 86,814,694	\$ 86,814,694	\$1,428,131,057	\$1,428,131,057	100%
1994	1,348,737,148	1,348,737,148	97,373,973	97,373,973	1,446,111,121	1,446,111,121	100%
1995	1,468,889,066	1,468,889,066	101,811,297	101,811,297	1,570,700,363	1,570,700,363	100%
1996	1,544,407,440	1,544,407,440	143,696,016	143,696,016	1,688,103,456	1,688,103,456	100%
1997	1,627,635,673	1,627,635,673	160,730,872	160,730,872	1,788,366,545	1,788,366,545	100%
1998	1,757,299,342	1,757,299,342	172,259,762	172,259,762	1,929,559,104	1,929,559,104	100%
1999	1,915,205,930	1,915,205,930	182,491,008	182,491,008	2,097,696,938	2,097,696,938	100%
2000	2,180,353,894	2,180,353,894	245,047,444	245,047,444	2,425,401,338	2,425,401,338	100%
2001	2,572,698,100	2,572,698,100	281,691,890	281,691,890	2,854,389,990	2,854,389,990	100%
2002	3,172,644,974	3,172,644,974	428,752,739	428,752,739	3,601,397,713	3,601,397,713	100%

Note: (1) Real and personal property tax assessments are made by the Commissioner of the Revenue for Loudoun County for concurrent use of the County and the Town. Real and personal property of public service corporations are assessed by the State Corporation Commission.

Table 5

TOWN OF LEESBURG, VIRGINIA

PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Real Estate			Personal Property		
	Town	County	Totals	Town	County	Totals
1993	\$ 0.21	\$ 1.00	\$ 1.21	\$ 1.00	\$ 4.20	\$ 5.20
1994	0.21	1.02	1.23	1.00	4.20	5.20
1995	0.21	0.99	1.20	1.00	4.20	5.20
1996	0.21	1.03	1.24	1.00	4.20	5.20
1997	0.22	1.06	1.28	1.00	4.20	5.20
1998	0.22	1.11	1.33	1.00	4.20	5.20
1999	0.22	1.11	1.33	1.00	4.20	5.20
2000	0.22	1.08	1.30	1.00	4.20	5.20
2001	0.22	1.08	1.30	1.00	4.20	5.20
2002	0.22	1.05	1.27	1.00	4.20	5.20

- Notes:
- (1) The Commonwealth of Virginia has no limitations on local tax rates.
 - (2) Real estate taxes are due in semi-annual installments by June 5 and December 5, and become delinquent thereafter.
 - (3) No discounts are allowed for early payment.
 - (4) Once delinquent, taxes are subject to a penalty of 10% or \$2.00, whichever is greater, and beginning July 1 and January 1 of the year after the taxes are levied, interest of 10% is charged on the taxes and penalty due.
 - (5) Residents of incorporated towns in the Commonwealth of Virginia are subject to real estate and personal property taxes levied by the town and county.

Table 6

TOWN OF LEESBURG, VIRGINIA

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Debt Payable From Enterprise Funds	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
1993	18,200	\$ 1,428,131,057	\$ 52,036,996	\$ 34,310,556	\$ 17,726,440	1.24%	\$ 973.98
1994	19,250	1,446,111,121	50,943,637	34,001,422	16,942,215	1.17%	880.12
1995	20,700	1,570,700,363	54,283,413	33,582,173	20,701,240	1.32%	1,000.06
1996	22,800	1,688,103,456	59,848,189	33,703,324	26,144,865	1.55%	1,146.70
1997	23,900	1,788,366,545	57,647,965	32,890,332	24,757,633	1.38%	1,035.88
1998	26,000	1,929,559,104	56,832,129	33,455,209	23,376,920	1.21%	899.11
1999	27,000	2,097,696,938	64,481,900	32,475,057	32,006,843	1.53%	1,185.44
2000	28,311	2,425,401,338	63,247,720	32,887,688	30,360,032	1.39%	1,072.38
2001	30,650	2,854,389,990	82,866,250	41,109,941	41,756,309	1.62%	1,362.36
2002	32,600	3,601,397,713	85,239,154	41,276,866	43,962,288	1.22%	1,348.54

Note: (1) Source: Town of Leesburg Department of Planning, Zoning and Development.

Table 7

TOWN OF LEESBURG, VIRGINIA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2002

(Unaudited)

Name of Governmental Unit	Net Debt Outstanding	Percentage Applicable to This Governmental Unit	Share of Debt
Direct Debt			
Town of Leesburg General Bonded Debt	\$ 43,962,288	100%	\$ 43,962,288
Overlapping Debt*			
Loudoun County General Bonded Debt	<u>530,291,802</u>	13.8%	<u>73,180,269</u>
Total Direct and Overlapping Debt	<u>\$ 574,254,090</u>		<u>\$ 117,142,557</u>

Note: * Overlapping debt is not bonded debt of the Town of Leesburg on either a direct or contingent basis, but represents the share of debt of overlapping governmental entities which the residents of the Town of Leesburg are obligated to pay through direct tax levies of these respective governmental entities. The debt of Loudoun County is a direct general obligation debt of the County which provides facilities that benefit all county residents including those of incorporated towns.

Table 8

TOWN OF LEESBURG, VIRGINIA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Coverage Ratio
1993	\$ 683,500	\$ 947,600	\$ 1,631,100	\$ 9,794,161	16.65%
1994	784,225	812,875	1,597,100	10,273,940	15.55%
1995	1,040,975	1,024,590	2,065,565	12,776,014	16.17%
1996	1,156,375	1,077,608	2,233,983	13,758,783	16.24%
1997	1,387,232	1,526,073	2,913,305	15,422,610	18.89%
1998	1,381,343	1,306,175	2,687,518	16,194,886	16.59%
1999	1,431,559	1,053,220	2,484,779	18,060,812	13.76%
2000	1,690,554	1,660,967	3,351,521	21,389,162	15.67%
2001	1,632,409	1,431,412	3,063,821	26,327,514	11.64%
2002	1,994,021	2,214,126	4,208,147	29,895,113	14.08%

- Notes: (1) Expenditures include operating transfers to other funds and exclude bond refunding payouts.
- (2) Principal and interest payments do not include payments made on advance bond refunding or lease obligation payments.

Table 9

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF ENTERPRISE FUNDS BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Available for Debt Service	Principal(3)	Interest (3)	Totals	Coverage Ratio
1993	\$ 7,957,172	\$ 1,961,661	\$ 5,995,511	\$ 476,500	\$ 1,521,535	\$ 1,998,035	3.00
1994	8,847,921	2,245,990	6,601,931	323,910	1,990,690	2,314,600	2.85
1995	8,940,187	2,557,246	6,382,941	793,625	1,965,625	2,759,250	2.31
1996	9,662,636	3,079,402	6,583,234	778,849	1,961,142	2,739,991	2.40
1997	10,209,843	3,021,232	7,188,611	812,992	2,006,306	2,819,298	2.55
1998	12,432,804	4,270,234	8,162,570	1,021,528	1,501,546	2,523,074	3.24
1999	15,040,200	4,612,271	10,427,929	980,782	1,938,119	2,918,901	3.57
2000	18,085,317	5,496,632	12,588,685	1,130,927	1,780,043	2,910,970	4.32
2001	23,173,336	6,840,657	16,332,679	1,137,947	1,694,816	2,832,763	5.77
2002	24,757,738	6,762,054	17,995,684	1,485,632	1,877,983	3,363,615	5.35

Notes: (1) Gross revenue includes operating and nonoperating revenues.

(2) Operating expenses excludes depreciation.

(3) Excludes capital lease principal and interest expense.

Table 10

TOWN OF LEESBURG, VIRGINIA

**DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Population (1)		Per Capita Income (2)	Median Age (2)	Education Level in Years of Formal Schooling (2)	Enrollment (3)	Unemployment Rate (2)
1993	18,200	**	\$ 27,304	31.60	13.00	3,391	3.30%
1994	19,250	**	28,578	31.60	13.00	3,708	3.20%
1995	20,700	**	29,447	31.60	13.00	3,963	2.80%
1996	22,700	**	31,251	31.60	13.00	4,330	2.40%
1997	23,900	**	32,301	31.60	13.00	4,697	2.00%
1998	25,500	**	34,691	31.60	13.00	5,011	1.30%
1999	27,000	**	37,542	31.60	13.00	5,292	1.10%
2000	28,311		40,290	33.60	13.00	6,868	0.90%
2001	30,650	**	41,660	33.60	13.00	6,767	2.90%
2002	32,600	**	42,826	33.60	13.00	7,986	4.60%

Notes: (1) Source: Town of Leesburg Department of Planning, Zoning and Development

(2) This information is not maintained for towns in Virginia. Information provided is for Loudoun County, Virginia, of which the Town of Leesburg is the largest incorporated town. Source: The Weldon Cooq Center for Public Service, University of Virginia and the Loudoun County Department of Planning, Zoning and Development.

(3) Source: Loudoun County School Board

** Projected Data

Table 11

TOWN OF LEESBURG, VIRGINIA

**REAL PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	<u>Commercial Construction</u>		<u>Residential Construction</u>		Total Deposits Commercial Banks	Real Property Value
	Number of Units	Value	Number of Units	Value		
1993	10	\$ 4,927,000	569	\$ 43,021,707	\$ 281,945,943	\$ 1,341,316,363
1994	5	1,750,000	499	40,317,375	256,395,467	1,348,737,148
1995	1	250,000	424	38,869,015	234,210,968	1,468,889,066
1996	6	2,295,000	680	55,204,799	274,743,931	1,544,407,440
1997	4	2,950,000	385	36,123,910	285,478,131	1,627,635,673
1998	14	13,905,954	492	45,206,500	313,456,356	1,757,299,342
1999	22	16,207,004	483	44,529,500	342,073,520	1,915,205,930
2000	48	23,419,780	667	63,215,771	428,139,881	2,180,353,894
2001	24	16,213,547	940	80,642,017	424,769,068	2,572,698,100
2002	3	8,200,000	522	47,787,100	496,595,359	3,172,644,974

Note: (1) Source: Town of Leesburg Department of Planning, Zoning and Community Development.

Table 12

TOWN OF LEESBURG, VIRGINIA

PRINCIPAL TAXPAYERS
June 30, 2002
(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Value</u>	<u>% Total Assessed Value</u>
Chelsea GSA Realty	Shopping center and land	\$ 72,325,200	2.28%
Verizon	Telecommunications	32,839,255	1.04%
Windsor at Fieldstone	Apartments	26,063,600	0.82%
Edwards Ferry LP	Apartments	25,429,500	0.80%
Dominion Virginia Power	Electric utility	22,942,974	0.72%
GRK Battlefield LLC	Shopping center	22,103,800	0.70%
A S N Multifamily LP	Apartments	20,903,100	0.66%
Arcadia Development	Residential land development	20,370,600	0.64%
Fort Evans Plaza	Shopping center	19,652,200	0.62%
Leesburg Plaza	Shopping center and land	<u>19,040,000</u>	<u>0.60%</u>
		<u><u>\$ 281,670,229</u></u>	<u><u>8.88%</u></u>

Table 13

TOWN OF LEESBURG, VIRGINIA**MISCELLANEOUS STATISTICS****June 30, 2002****(Unaudited)**

Date of Incorporation	1758
Form of Government	Council-Manager
Area	11.62 Square Miles
Bond Ratings:	
Moody's Investors Service	A1
Standard and Poor's	AA-
Number of Employees (excluding police)	
Classified	239
Exempt	72
Town of Leesburg facilities and services:	
Leesburg Executive Airport:	
Storage hangars	59
Tiedown spaces	157
Based aircraft	256
Miles of streets	185
Number of street lights	2,000
Recreation and culture:	
Number of parks	13
Park acreage	193
Public tennis courts	8
Police protection:	
Number of stations	1
Number of policemen and officers	55
Municipal Water Department:	
Number of customers	12,358
Average daily consumption (gallons)	4,060,000
Miles of water mains	199
Sewers:	
Miles of sanitary sewers	162
Zoning permits issued	1,631
Facilities not reported in the reporting entity:	
Fire protection:	
Number of stations	2
Number of firemen and officers	87
Rescue services:	
Number of stations	1
Number of rescue workers and officers	45
Education:	
Number of schools	11
Number of students	7,986
Number of public libraries	2
Number of volumes	110,000

Compliance Section

The Compliance Section contains information on Town programs that are funded by federal and State grants.

TOWN OF LEESBURG, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2002**

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
FEDERAL AVIATION ADMINISTRATION		
<u>Direct payments:</u>		
Department of Transportation	20.106	\$ 24,861
<u>Pass-through payments:</u>		
Department of Aviation:		
Airport Improvement Program	20.106	1,878,766
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<u>Pass-through payments:</u>		
<u>Department of Housing and Community Development:</u>		
Community Development Block Grants/ Economic Development Initiative	14.246	102,741
DEPARTMENT OF TRANSPORTATION		
<u>Pass-through payments:</u>		
<u>Department of Motor Vehicles:</u>		
State and Community Highway Safety	20.600	13,500
NATIONAL PARK SERVICE		
<u>Pass-through payments:</u>		
<u>Department of the Interior:</u>		
Historic Preservation Fund Grants-In-Aid	15.904	7,000
FEDERAL HIGHWAY ADMINISTRATION		
<u>Pass-through payments:</u>		
<u>Department of Transportation:</u>		
Recreational Trails Program	20.219	40,678
OFFICE OF JUSTICE PROGRAMS BUREAU OF JUSTICE ASSISTANCE		
<u>Pass-through payments:</u>		
<u>Department of Justice:</u>		
Local Law Enforcement Block Grants Program	16.592	<u>53,594</u>
Total Federal Awards Expended		<u><u>\$ 2,121,140</u></u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Leesburg, Virginia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of Council
Town of Leesburg
Leesburg, Virginia

We have audited the general-purpose financial statements of the Town of Leesburg, Virginia, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Compliance

As part of obtaining reasonable assurance about whether the Town of Leesburg, Virginia's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed tests of compliance with the following program specific requirements as set forth in the Auditor of Public Accounts *Specifications for Audits of Counties, Cities and Towns*: the Virginia Department of Transportation's Requirements for Highway Maintenance Funds. However, providing an opinion on compliance with those provisions and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Leesburg, Virginia's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Town of Leesburg, Virginia in a separate letter dated September 13, 2002.

This report is intended for the information of the Town Council, management, the Auditor of Public Accounts and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Harrisonburg, Virginia
September 13, 2002

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of Council
Town of Leesburg
Leesburg, Virginia

Compliance

We have audited the compliance of the Town of Leesburg, Virginia, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Specification for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, that are applicable to its major Federal program for the year ended June 30, 2002. The Town of Leesburg's major Federal program is identified in the Summary of Independent Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of the Town of Leesburg's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specification for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town's compliance with those requirements.

In our opinion, the Town of Leesburg, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Town of Leesburg is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Town Council, management, the Auditor of Public Accounts and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Harrisonburg, Virginia
September 13, 2002

TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2002

1. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	_____ Yes	<u>1/2</u> No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	<u>1/2</u> None Reported

Noncompliance material to financial statements noted	_____ Yes	<u>1/2</u> No
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Federal awards

Internal control over major programs:

Material weaknesses identified	_____ Yes	<u>1/2</u> No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	<u>1/2</u> None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	<u>1/2</u> No
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TOWN OF LEESBURG, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2002

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? 1/2 Yes NoII. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO
BE REPORTED IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA

A. Reportable Conditions in Internal Control

None Reported

B. Compliance Findings

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

TOWN OF LEESBURG, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2002

No single audit was required to be performed in the prior year; therefore, there were no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.